WALUE REPORT 100+2 2008

To all who have been following up to now and will continue to do so,

this is a somewhat peculiar introduction. It does not refer to any business occurrences or events, but is meant, instead, to convey to you the wealth of a world rich in significance, highlighted by noteworthy concepts from Gandhi, Ford, and Drucker placed throughout the text.

We would like to invite you to walk with us for the next 6 years towards a common goal. Undoubtedly, 2008 was a tough year for all of us because never before had we fully understood the meaning of the confusion brought about by underestimating the "core" of our existence than in this past year.

Fortunately, when faced with critical situations, our reaction is to line up all those lessons, make sure we understand them, anchor ourselves to them and then take some time to reflect.

Some of those "Men of values", whose wisdom is timeless, have repeatedly admonished us to become aware of the significance and responsibility each of us have in relation to these issues. Only people spurred by strong values outlive their time and become eternal. One man succeeded in leading the world in this direction more than anybody else, and - as it often happens - it was a "little big man" with clear and convincing ideas:

"That economics is untrue which ignores or disregards moral values. The extension of the law of non-violence in the domain of economics means nothing less than the introduction of moral values as a factor to be considered in regulating international commerce."

Gandhi 1869-1948

However, in the past this was a widespread culture. On the other side of the world, in America, Henry Ford stated:

"There is something sacred about a big business which provides a living for hundreds and thousand of families.then the continuance of that business becomes a holy trust. It becomes greater and more important than the individuals."

Henry Ford 1863-1947

We found a piece of writing among the papers and letters of Gaetano Zambon, the founder of our "business community", which very plainly confirms these considerations that go beyond the substance of a business while also providing its guidelines:

"La grande molta della vida Dell'unimerto e l'ampère. Il nostro barcaro Dato alla falbrue, rome quello sentimente dar der frusti muror ghiasi",

"The great spring device of life in the universe is love. Our work done for the factory, permeated with this feeling, will bring about wonderful fruits."

Gaetano Zambon, Vicenza 1947

Like great economics scholars have theorized these principles recognizing the need for such wisdom to promote long-lasting business initiatives, Peter Drucker, in particular, teaches us:

"Business enterprises ... are organs of society. They do not exist for their own sake, but to fulfil a specific social purpose, and to satisfy a specific need of society... They are not ends in themselves, but means."

Peter Drucker 1909-2005

It is essential that this change of mentality be implemented in all areas of responsibility, with great determination to see the change through completely and with the help of people who believe, with humility and the desire to participate, in a possible future built day after day on the solid foundations of our essence. We have to help those who believe in these same principles don't have the courage to react - those who are afraid of losing their certainties or seeing their own professional roles weakened after having built them up with great effort, sometimes disregarding or forgetting the fact that there is much more that matters than "their own little world". The same affinity we often experience with our co-workers enabled us to meet Michele De Lucchi during this "adventure". He showed us how in his field of design, too, it is not just a matter of aesthetical factors. One of his notes from a few years ago, with a photo of "Gandhi's personal legacy", reads:

la ferma e la materia che famo belle

"... it is not just shape and materials that make things exquisite..."

We hope that this message of ours, too, may contribute to changing reality, enabling us to listen to and understand these advancing new ideas with the humility and curiosity of someone who has the courage to accept the challenge and to find himself on that well-known "old" path frequently followed by the communities of family businesses established according to these criteria. We've often heard from long-lived businesses how important it is not to forget. We must learn and respect our memory, because it is the driving force enabling us to plan the future, making us more solid and self-confident in Living and Acting. This way, we can seize the opportunity of being useful to those who aren't as lucky and help spread a culture of that social functionality which is the essence of business.

What holds people together? The belief in the same values, succeeding in incorporating them into daily life to build a business meant first of all as a means for a sustainable future. At Zambon, our entrepreneurial dream is that of conveying a notion of a future-oriented business able to preserve its old spirit. It should be an integral business, made up of integral people. It must valorise physical, psychological, cognitive, professional and social integrity, and above all everybody's genuine identity, day by day. Zambon commits to strategies it is able to carry out, implementing them with the contribution of each of us. The flexibility of the strategies and their implementation are among the requirements we have to meet. They call for humility and the participation of all of us. We would like to ask each of you to try and find yourself along the path we are suggesting: your own history of efforts, your commitment - without ever forgetting that this is the way to go, resolutely, to contribute to making a better world.

It's the path towards the integration of ethical and professional values applied to everyday life. These concepts are mutually necessary to achieve solid growth that helps us discover something distinguishing and unique to pit our strength against in the coming decades.

We owe it to those who came before us out of respect for the values they established through their hard daily labour, and in order to adopt the same intransigent attitude they have conveyed to us thinking that it was possible to prove, by way of example, this lifestyle of being individuals rich in strong values.

This is an open letter, open to your thoughts, considerations, to your values.

Elea Zala

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WE'RE INSPIRED BY OUR DESIRE TO EMPHASIZE THE HUMAN SIDE OF BUSINESS

During the very difficult year that has just ended, we have been forced, as individuals, to focus our efforts on something much more delicate than just business. We wanted to take on the challenge of doing our very best in our daily routine to match our values with the responsibilities of the tasks assigned to each of us. To us here at Zambon, company strategies and values are two sides of the same coin, and this is why we felt we were called to take care of an integrated company.

Zambon's basic competencies, identity, organizational structure and values have a two-way relationship with strategies: each supports the other and therefore is supported in turn. This complex enterprise system can only survive if – like any living organism – we listen to its soul, which enables it to breathe and, therefore, to live. Without its "soul", it would be difficult to pursue ambitious strategies, and without strategies rewarded by financial success, it would be difficult to preserve the community and the "soul" of this company.

Ours is a daily quest to thrive through the years. We must do more than simply taking care of financial aspects; we must also look after a corporate community with a strong identity.

Zambon's entrepreneurial drives aims to acknowledging and preserving its characteristic competence and its original values, its DNA, its culture. Competence in the chemical-pharmaceutical sector and the values of humility and integrity are the chief assets ensuring Zambon the maximum possible change and innovation and its staff the feeling of belonging to a solid community.

At this particular point in our history, the wish emerged to regain possession of our identity. We are a corporate community that aims to rebuild and promote our history and the values that accompanied us during our lifetime through our living museum. Not out of nostalgia, but rather because of our strong desire and enthusiasm to work for the future. Presenting the experience of 102 years of history means acclaiming the work done by all those who contributed to building the company, and also making use of a powerful tool to design the future.



ZAMBON MUSEUM: 102 YEARS OF HISTORY

STORIA DI IERI, DI OGGI

The history of a Company forms a strong heritage of values and "genes". It is the DNA we carry within ourselves and whose rediscovery leads to the natural grafting of this heritage onto our present-day system.

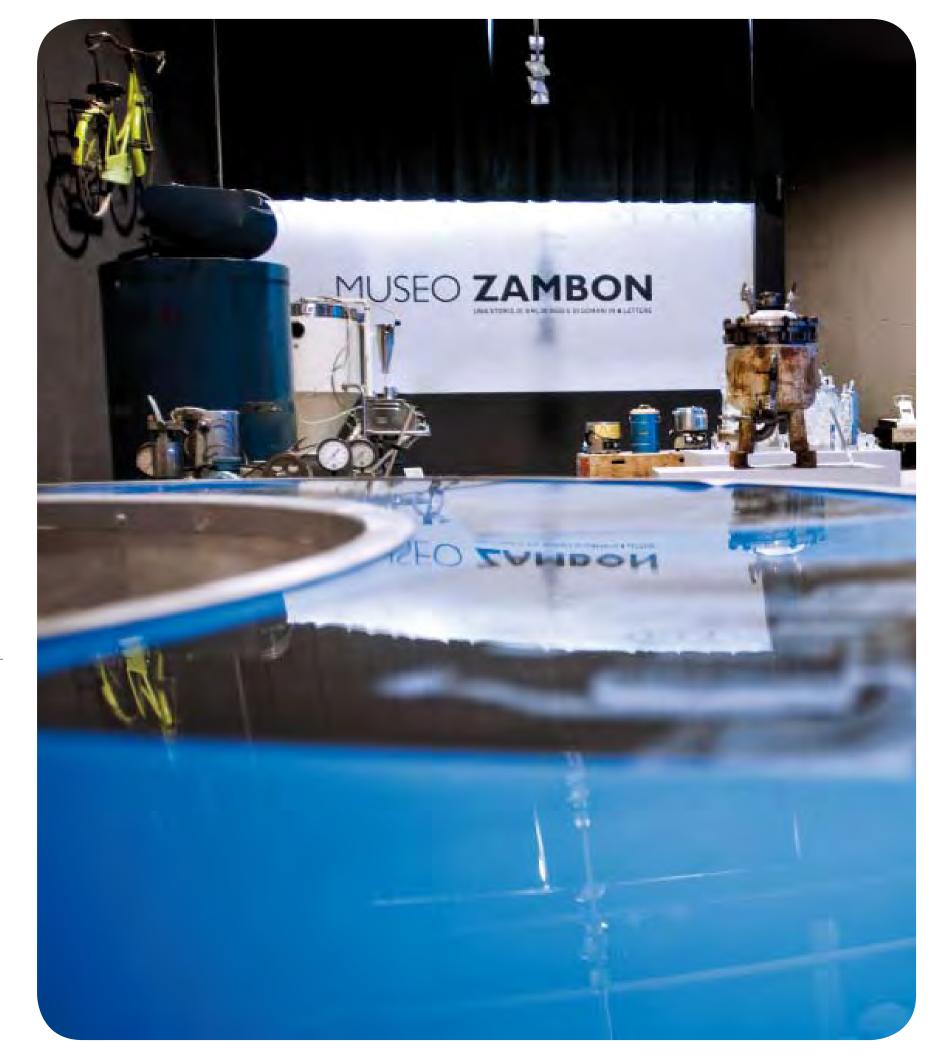
When we bring back to life an emotion and "resurrect" it through our attention as we listen to it, there must be a reason. It might hold a message able to enrich us that must be put into practice. Collecting old documents, photographs, public and private papers, letters, evidence of the lives and feelings of all the persons involved in this long business and family history inspires a sense of respect and discreetness. That's why it is almost impossible to leave anything out.

In an age when the technological changes and acceleration we are subjected to lead us to consume everything so rapidly, it is important to take some time for ourselves to reflect, read and "sense" a part of our past. We have to recognise the value of people and the principles they have conveyed and still convey.

The feeling of "fatigue" that we sometimes get when we work with commitment is, in a certain sense, compensated for and appears less isolated if we look at it within a continuing story that renews itself in which many people have found rewards and also difficulties, and have worked hard to achieve the current results.

This heritage is working and tells us many things. Its values are still there among us ready to come alive and be translated into everyday practice, spread by those who adopt them, so that they are visible through their projects, and applied to their everyday activities and relationships.

Visitors to this area at Zambon will perhaps succeed in grasping a desire to make things happen, to start some type of enterprise, whichever it may be. And they can know they are the authors of their own ideas and ambitions, ready to apply themselves thoroughly and fearlessly.



FACTS AND MAIN **RESULTS**

The macroeconomic context 2008 was very tough for all sectors. Mature markets slowed and currency and raw material markets became increasingly volatile.

Despite such a complex picture, 2008 was a positive year for Zambon's pharmaceutical business, whereas it was hard for the chemical sector due to both external causes connected with a suffering market and also internal issues, as we were coping with the integration and reorganization of newly acquired production plants.

The Group's turnover from core business reached 555 million Euros on 31 December, 2008, thanks to a considerable improvement in sales in the pharmaceutical business and the complete stabilization of the chemical sector of the corporate branch Fine Chemical of PPG Industries Inc., which had been bought at the end of November 2007.

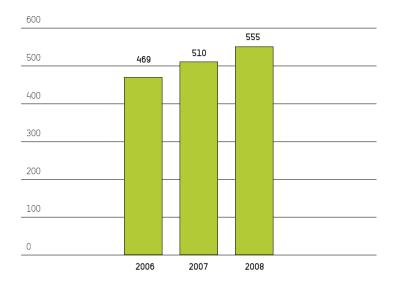
The gross operating margin totalled 114 million Euros, while it had been equal to 130 million Euros in 2007. Operating profits were equal to 85 million Euros with a net working capital of 35 million Euros.

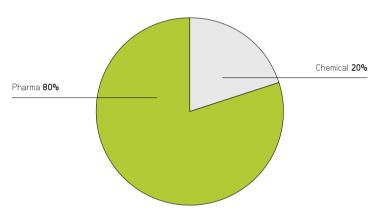
The financial situation shows a plus of 44 million Euros after the purchase of Zambon Company S.p.A.'s own shares for 57 million Euros.

For 2009 we still expect good growth for strategic products of the pharmaceutical business, whereas the chemical sector will continue to suffer from a more complex situation also in view of a rather uncertain market context.

CONSOLIDATED CORE BUSINESS REVENUE 2008

million Euros

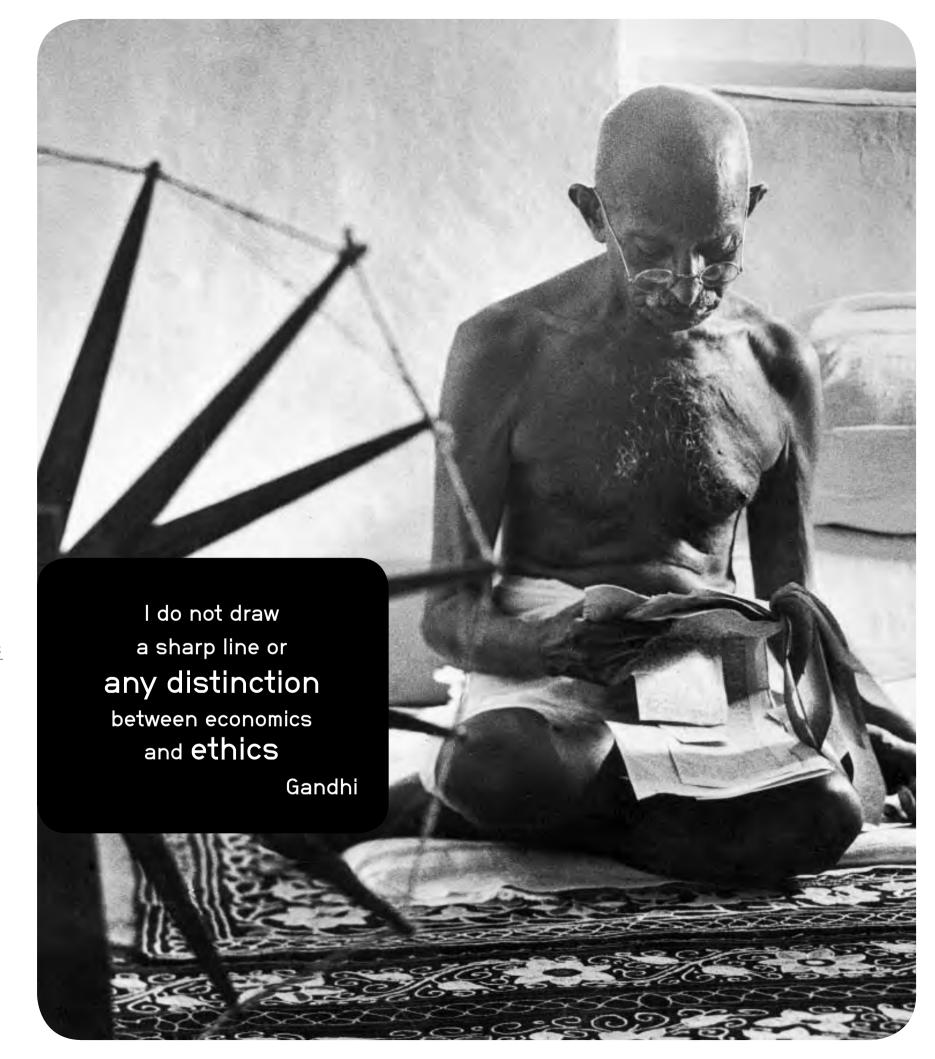




TURNOVER BY COMPANY 2008

Pharma: (Zambon SpA consolidated)

Revenue 2008: 448 million Euros
Gross Operating Margin 2008: 115 million Euros
Operating revenue 2008: 101 million Euros
Net working capital 2008: 20 million Euros
Employees on 12.31.2008: 1.884
Chemical: (ZaCh System S.p.A. consolidated)
Revenue 2008: 140 million Euros
Gross Operating Margin 2008: 3 million Euros
Operating loss 2008: 9 million Euros
Net working capital 2008: 37 million Euros
Employees on 12.31.2008: 592



OUR PHARMACEUTICAL BUSINESS: ZAMBON SPA

Zambon's values for offering products, services and solutions for breathing well and living well

A dynamic scenario

The year 2008 marked an authentic turning point in the world's economy after years of strong growth, boosted by the United States and emerging markets (mainly Brazil, China, Russia and India) and supported to a considerable extent by companies and consumers frequently resorting to debt. Suddenly, the virtuous circle of easy access to credit that had boosted consumption and investments in the past broke down.

In September 2008, the world watched as one of America's leading investment banks went bankrupt, and while a great number of financial institutions in America and Europe were rescued. We went from an economy exclusively based on the open market back to a high level of government intervention in the individual nations.

The process for adjusting the growth of an economy "drugged" by extremely easy access to credit is going to last for some time. According to forecasts by the International Monetary Fund, the year 2009 will probably show a drop in the world's economic growth for the first time in many years. According to estimates, there will be a drop of approximately 1.3% with definitely poorer figures in the US (-2.8% estimated) and in Europe

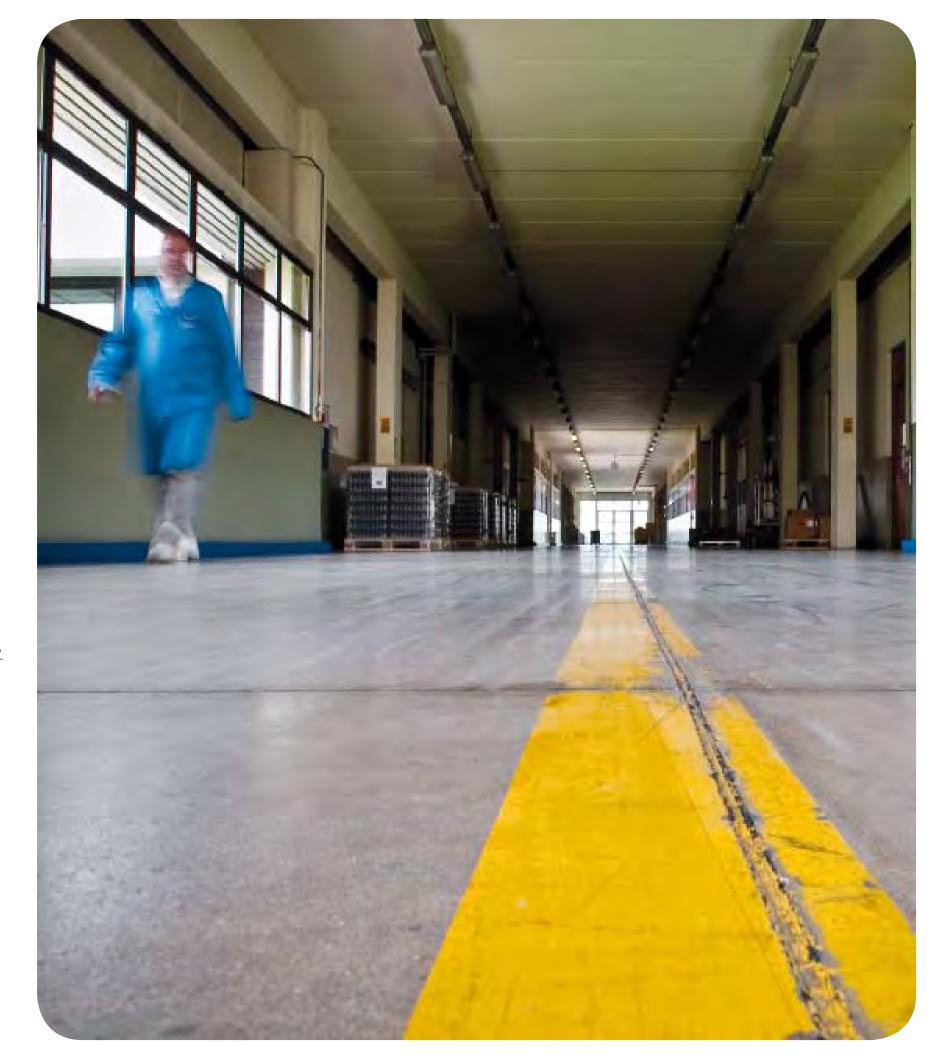
(-4.2% estimated). In these past few months, this economic slowdown resulted in a rise of unemployment rates in all countries and, unfortunately, will certainly have social repercussions affecting the lives of many families. Perhaps in Western countries we should get used to the idea of an economic growth more similar to that of Japan in the past years (1.2% in the period 1994-2004) than to that of USA (+2.8% in the same period).

Despite the fact that the economic crisis worsened towards the end of the year, the global pharmaceutical market continued to grow by +5% to reach an absolute value of 519 billion Euros, and though this rate is lower than in 2007 (+6%), an impact is expected in 2009 also for the pharmaceutical sector. IMS, the main sector-specific databank, revised its market growth estimates reducing them by one percentage point, suggesting 4%. The growth differential stayed also the same between mature markets (USA, Japan, Germany, France, UK, Italy and Spain) +2% and emerging markets (China, Brazil, India, Russia, Mexico, South Korea and Turkey) +13%, where the strong health demand compensates the temporary standstill in purchases of non-reimbursed medicines. It has to be taken into account that among emerging countries, the economic crisis has also affected the value of the local currencies, which depreciated against the dollar as well as the Euro, reducing market growth from +13% to +7% in terms of actual value.

Within the mature markets, Spain, Italy and France (Zambon's three most important markets) performed the best, reporting +4% and reaching an overall value of 61 billion Euros.

This occurred despite the fact that the European regulatory framework is mostly marked by continuous changes in regulations with a considerable difference among member states, which create separate dynamics. In Italy (17 billion Euros), inconsistent interventions at the regional level have diversified the consumption of certain categories of medicines. In Spain (15 billion Euros) the health system is being increasingly decentralized reinforcing independent regional policies and therefore differentiated measures in relation to the activity of prescribers. And in France (29 billion Euros), decentralized Regional Health Agencies (ARS) have recently been established.

The trends in the pharmaceutical market highlight certain factors that may curb growth: the strengthening of the guiding role of medicines needing a specialist's prescription, the rise of new actors able to influence consumption and pharmaceutical expenses (distributors, pharmacists, government agencies, associations, patients), the drop in the launching of new products (on average, 30 new chemical entities a year compared with 57 ten years ago), the increase of drugs with patents nearing expiration, and, finally, the curtailing measures through cutbacks in expenditure and



prescription control. What is certainly not negligible is the evolution and impact of generic medicinal products, which could bring about further erosion of market shares and marginality for pharmaceutical companies selling products with patents nearing expiration or with a consolidated brand. Although these dynamics are well-known, in the near future their high level of complexity might cause some difficulties, and companies will have to succeed in gearing their organizational structures to the business patterns of the individual local markets. They will be required to balance strategies and investments between mature and emerging markets, and between consolidation and innovation.

Flexibility as a winning model

To cope with this heterogeneous and constantly changing situation, the pharmaceutical industry, like other sectors as well, needs to develop adaptability able to meet the requirements of this new context – its changing needs, consumption patterns and rules. This is especially true for an international organization such as Zambon.

Considering Italy, France and Spain its most important markets, Zambon Group strengthened its competitiveness on the pharmaceutical market, particularly within the very attractive reimbursed ethical drug sector.

As in the past year, the main challenges are still to build and preserve the distinguishing value of our products through a possible geographical expansion with a particular focus on emerging countries.

The need to increase flexibility and efficiency led Zambon to transform its organizational structure to resemble an increasingly integrated model in which internal organizational units, various legal entities, teams, suppliers and distributors can develop an increasingly higher level of organizational integration with each other both internally and externally.

The **Zambon** organization as a **living being**

Modern-day competition is marked by high and increasingly complex dynamism, and the many variables involved no longer enable companies to implement any kind of mechanistic pre-adjustment. Like living organisms, today's enterprises operate like a system in which the various parts have to perform diversified functions, depending on how structured the outer environment is, and are constantly in relation to each other according to a model of mutual interdependence. To be competitive under these conditions, it is necessary to apply widely shared formulas and systems that simultaneously allow companies to recognize and respect the differences of each market. Even if Zambon occupies a firm position specifi-

cally focused on the local market, the countries where Zambon has traditionally been operating keep playing an active role in generating growth opportunities through a strong interaction with the Centre. The latter plays a supporting role in defining goals consistently with the decided strategy, setting priorities and aligning the single choices, but also successfully spreading and sharing cases of excellence.

During 2008, we followed through with the implementation of actions already identified in the strategic plan for the purpose of making the corporate structure more efficient and productive.

The structure of Innovation & Medical Sciences was reinforced and redefined with the aim of combining all related functions under a single address. This structure includes people involved in research, the group of professionals who handle preservation and defence of marketed products, those who look after the development of line extensions, and the functions dealing with the existing portfolio and the new products pipeline for the future portfolio in line with Zambon's vision and strategy.

The activities associated with the definition of processes and of reporting and project management tools have been completed. Furthermore, working out of evaluation principles and beginning scouting operations for new business opportunities has proved to be very important.

A few modifications were introduced to the organizational structure of the Marketing and Strategic Planning areas with the aim of more effectively optimizing the efficacy of sales strategies, by integrating long-term planning with medium and short-term management. During 2008, the Licensing & Business Development management team provided crucial guidance for development, and for fulfilling and completing the product offer within the portfolio of the Group's three strategic areas — Respiratory Drugs, Pain, Woman's Health Care. They followed a policy of geographical expansion on the European market and also seized particular opportunities available in emerging countries.

We also continued our work of reconfiguring processes used by the Manufacturing & Supply Chain for the purpose of optimizing the efficacy of the production chain and strengthening production plants in the Zambon network to become an excellence benchmark on the market, thus confirming our tradition as a third-party manufacturer.

Another reinforcement, within the Manufacturing sector, of central structures that ensure the coordination and course of all of the Group's Engineering and Quality Assurance activities is also meant to meet the same purpose. We went ahead with our analysis and rationalization of manufacturing processes in the pharmaceutical business. In particular, the staff of the Vicenza plant completed their development and continuous improvement programme to meet European quality standards (Good

Manufacturing Practices) also for the sterile sector in the production of lyophilized products.

The **growth** of the pharmaceutical business

In 2008 Zambon reported total net proceeds from products equal to 448 million Euros with an increase of +1.4% compared to last year. This growth was fostered by considerable progress in emerging countries, like Russia (+41%) and Brazil (+18%), while growth in mature markets was moderate. Continuous price erosion, especially in mature markets (such as what happened in Spain), was more than compensated for by the remarkable growth in volume in emerging countries such as Russia and Brazil. Volumes and revenues keep growing in the Toll Manufacturing business, which concerns the production on behalf of third parties of sophisticated special products using advanced technologies.

New product launches contributed to the overall growth for a total value of 5.2 billion Euros, especially favoured by the new launch in Italy of Giasion (Cefditoren Pivoxil) in the Respiratory sector, and the launch of Pontalsic (Tramadol Paracetamol) in Spain in the Pain sector during the last quarter of 2008. Licences for both products were obtained from the Japanese company Meiji and the German Grunenthal, respectively.

The performance of the Respiratory drug portfolio, in addition to meeting investment related production requirements for the lyophilized products area that includes Fluimucil, reported a global 3% increase, produced in particular by the growth of Fluimucil and Rinofluimucil along with the launch of Giasion in Italy. Fluimucil's good performance was due, first of all, to Russia (+106%), followed by China (+41%), Brazil (+7%) and Italy (+4%). As far as Zambon's approach to the "cough and cold" pharmacy sector is concerned, the new Fluirespira line was developed for the international market. It is made up of non-pharmaceutical products for children including recently patented ones and innovative devices covered by global licence. This new line was created to become a reference point at chemist's shops, offering solutions for respiratory problems in the paediatric area with a special focus on the compliance that defines the level of agreement to the therapy. Important news on extensions of already existing product lines includes the launch of Spedifen 400mg in France and in Italy, presented to doctors as far back as December 2007, which enabled us to achieve the greatest growth in 2008 turnover in the Pain sector (+6.2 million Euros; +9% compared to 2007). Actually, this therapeutic class within the Group's turnover appears to be speeding up in the French and Italian markets thanks to the excellent performance of Spedifen and the contribution of Brazil (+54%) and Belgium (+17%), which confirm the brand's excellent potential worldwide. Another line extension within the portfolio of this product category enables Zambon, already a leader in the Spanish painkiller market with Espidifen, to reinforce the management of its portfolio and offer an additional option in the pain sector to treat moderate or severe conditions.

In Brazil, on the other hand, the pain sector was developed through a new licence for a new product based on the active principle tramadol, for which solid results exist to confirm its effectiveness and safety, in combination with a more evolved formula.

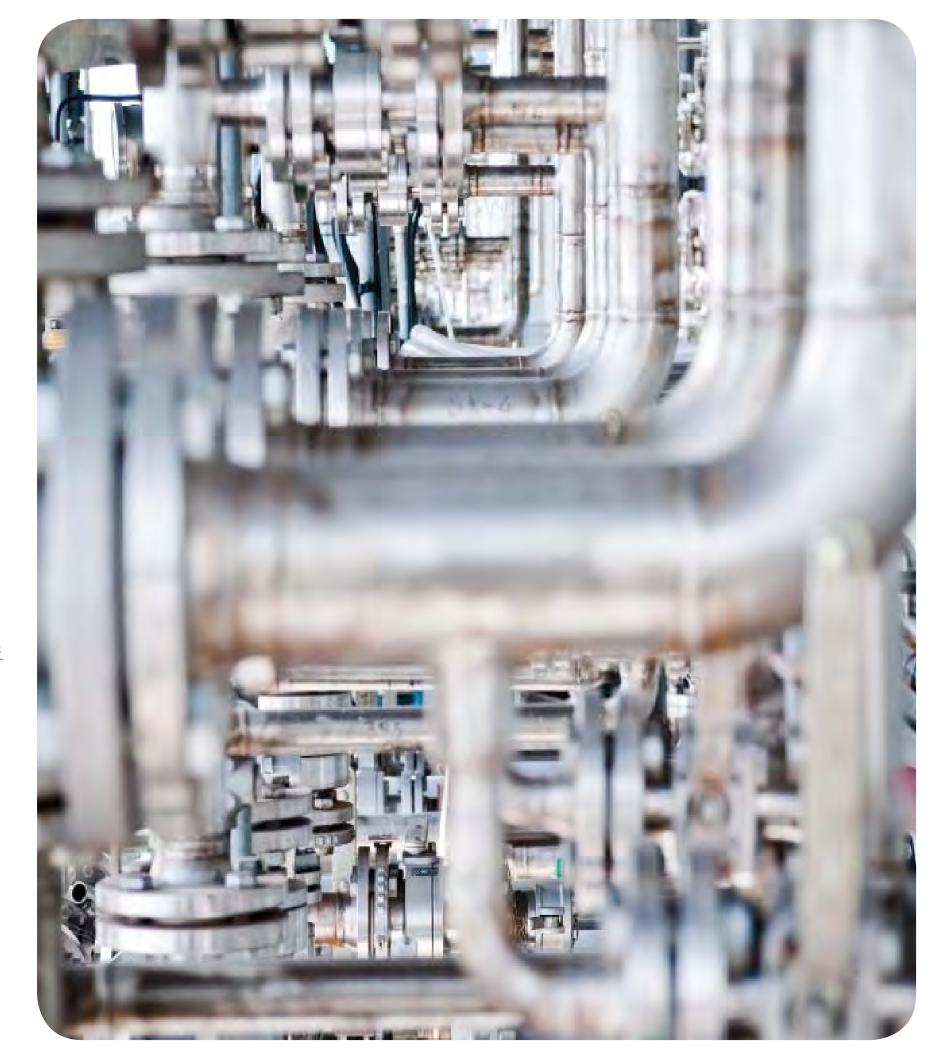
In the Women's Health Care sector (+4.7 million Euros) Monuril keeps growing in every market, particularly in Russia (+72%), in France (+15%) thanks to its achieved status as a 'first line treatment', in Spain (+12%) thanks to a synergistic multi-target action, and in Brazil (+30%) thanks to a campaign to reposition the product in the general practitioners' segment. The excellent performance of Monuril compensates for the drop in sales of certain local gynaecological products. In this therapeutic sector, Zambon Switzerland strengthened its competitiveness in 2008 in the treatment of cystitis by obtaining a licence for an innovative diagnostic instrument for the identification of non-complicated infections of the urinary tract.

Zambon's chief markets

Italy is confirmed as Zambon S.p.A.'s main market with total turnover equal to 115 million Euros. This figure is in line with the previous year, despite the slow-moving distribution of Fluimucil antibiotic subsequent to significant investments in the manufacturing sector that affected its full availability in the second part of 2008, which was nevertheless compensated for by the growing performance of the other products.

Spain, the group's second-best country with turnover totalling 94 million Euros, experienced slower growth than in earlier years due to price reductions and the growing pressure of generics recently introduced into the market.

France – where the domestic market has grown by approximately 2% – reported a slightly inferior growth rate considering the reduced export volume to the market of North African countries (particularly Algeria), where the product distribution is managed by the French subsidiary. The other subsidiaries of the Group attained good results as well. Particularly within the European market; good performances were reported in Belgium with 3.2% growth, the Netherlands, whose growth reached +9.5%, and Portugal, which reported a 10.8% increase. Brazil appears to be the



leading emerging country with a 20% growth rate in relation to the year before. Considerable growth was also reported in the Confederation of Independent States - CIS (+41%), notwithstanding the sizeable slow-down reported in the last quarter of 2008 due to rouble depreciation. The distributors' business confirms a strong growth for the Eastern European market with +26% turnover compared to the year before. This positive trend occurred especially thanks to the contribution of Poland and Serbia, as well as Hungary, Bulgaria and Romania, and in the early months of 2009 also Austria and the Czech Republic. As far as the distributors for Latin America are concerned, the growth in relation to the previous year was +14%, and for distributors in the Far East +64%. The Middle Eastern market, instead, reported a drop of -5% in relation to 2007, determined by the replacement of some business partners and the planned launching of products in new countries (Saudi Arabia, Lebanon).

Innovation at Zambon; a new way of doing research

Research was significantly boosted in 2008. The creation of the new Innovation & Medical Sciences organization, which combined the R&D functions with those dedicated to the new research and development model, made it possible to build synergies and integrate the corporate skills. It also brought about a definite acceleration in the development of the new pipeline, life cycle management, and medical-marketing support to the main brands marketed.

With the new Innovation model, research has shifted from the company's facilities and expertise to exploring the international scene by consolidating a network of relationships with Research Institutes, Technology Transfers, Start-ups and technology companies in order to get the most out of the discovery source and make it more flexible, extensive and with a high innovation potential. To do this, we've used a flexible and integrated model ranging from the internalization of opportunities to co-development and partnerships. The overall purpose was to identify innovative proprietary release platforms and/or technologies to continue the updating of the development pipeline as well as to re-elaborate updated versions of existing products in and through a life cycle increasingly geared to the patient's needs. Designing and developing a balanced pipeline of ethical drugs and OTCs to form a broader portfolio that would meet the target group's needs as closely as possible was our main goal.

Thanks to this new organization, over 50 new opportunities were evaluated. New proprietary drug delivery technologies were identified, and the development plans for new ethical products in the respiratory and pain

sectors were outlined.

The identification of an innovative formulation platform enabled us to start developing a range of cough and sore throat products, with a special focus on paediatrics, to further integrate the development of the respiratory pipeline. We paid special attention to the life cycle of n-acetyl-cystein and ibuprofen arginine, since new formulations of these have been completed, and development projects for other pharmaceutical forms have begun with expanded proposals aimed at reinforcing market position. Scientific work meant to support corporate brands has also been resumed, with the creation of a structured clinical programme on ibuprofen arginine and the outlining of a significant study on n-acetyl-cystein that will be conducted in China.

Environment

Just like any other company operating in this sector, the products and activities of the Zambon S.p.A. Group are particularly subject to many local, national and supranational rules and regulations regarding the environment. To ensure the proper implementation of these regulations, the Group set up structures with special tasks regarding constant control and monitoring, and allocated considerable resources to support the high quality levels required. The production facility, located in Vicenza, obtained and periodically renews the different certifications: quality certification ISO 9001, the Environmental Management System certification according to standard ISO 14001, and the Health and Safety Management System certification according to standard OHSAS 18001.

In June 2008, Zambon's Vicenza plant was the first factory in Italy to attain the excellence certification issued by Certiquality.

The production facility located at Cadempino (Switzerland) obtained and periodically renews the Environmental Management System certification according to standard ISO 14001.

ZAME: an integrated project

For a Group of our size and with similar plans for growth, becoming consolidated and planning evolution also means having an integrated information system. This is why Zambon initiated the project called ZAME (acronym of Zambon Manufacturing ERP), an integrated information system aimed at replacing the diversified IT systems currently used by Zambon with a single SAP system. This is a comprehensive management software that covers the company's main business processes and its internal cycles concerning planning, product manufacturing, sales, supplies and logistics, ensuring strong cross-integration throughout the organization.

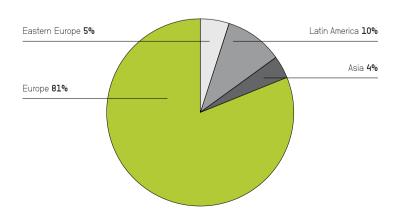
The ZAME project involves all of the group's production and business/ distribution facilities. It is a primarily modular system able to meet any of the company's current and evolving requirements, which continuously shape it to fit the needs of the business areas while ensuring low costs and flexibility. It is a **strategic project**, because it allows the company to significantly improve our current working approach, and it also lays the foundation for the management of possible future evolutions of the Zambon business, which is equally as important.

Future Prospects

Inside a sector like ours, affected by a thorough restructuring, Zambon has identified three strategic approaches on which to focus its activity and resources:

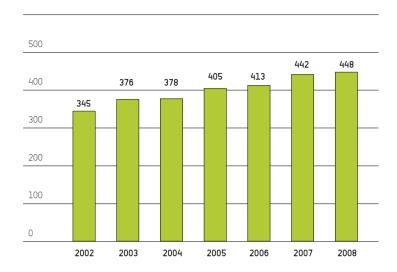
- reinforcement of the core business identified with the relevant therapeutic segments in which we are particularly competitive, and of our presence in the core countries in which the company is already successfully operating, with a gradual and progressive expansion to the leading markets of the emerging economy in the long term;
- continuous investment in design innovation, incremental innovation and in the life cycle of the Group's brands and strategic products. A network should be developed for the purpose of scouting as well as multidisciplinary and international collaboration in a close partnership with the ZaCh and Z-Cube businesses;
- absolute priority to quality issues to enable the company meet the increasingly higher European and global quality standards in the different production areas and at the various production facilities as well as throughout the process of developing, introducing and marketing products on the international markets where the company competes.

2008 MAIN MARKETS

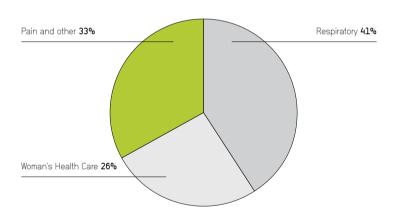


2008 NET TOTAL SALES

million Euros

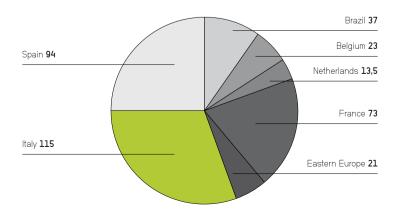


SALES BY THERAPEUTIC AREA %



SALES BY GEOGRAPHICAL AREA

million Euros



THE CHEMICAL BUSINESS: ZaCh System

ZaCh's Mission is to be a privileged partner of the pharmaceutical industry in order to offer products and services with high added value based on the excellence of our innovation and on our capability to ensure success perfectly.

The setting

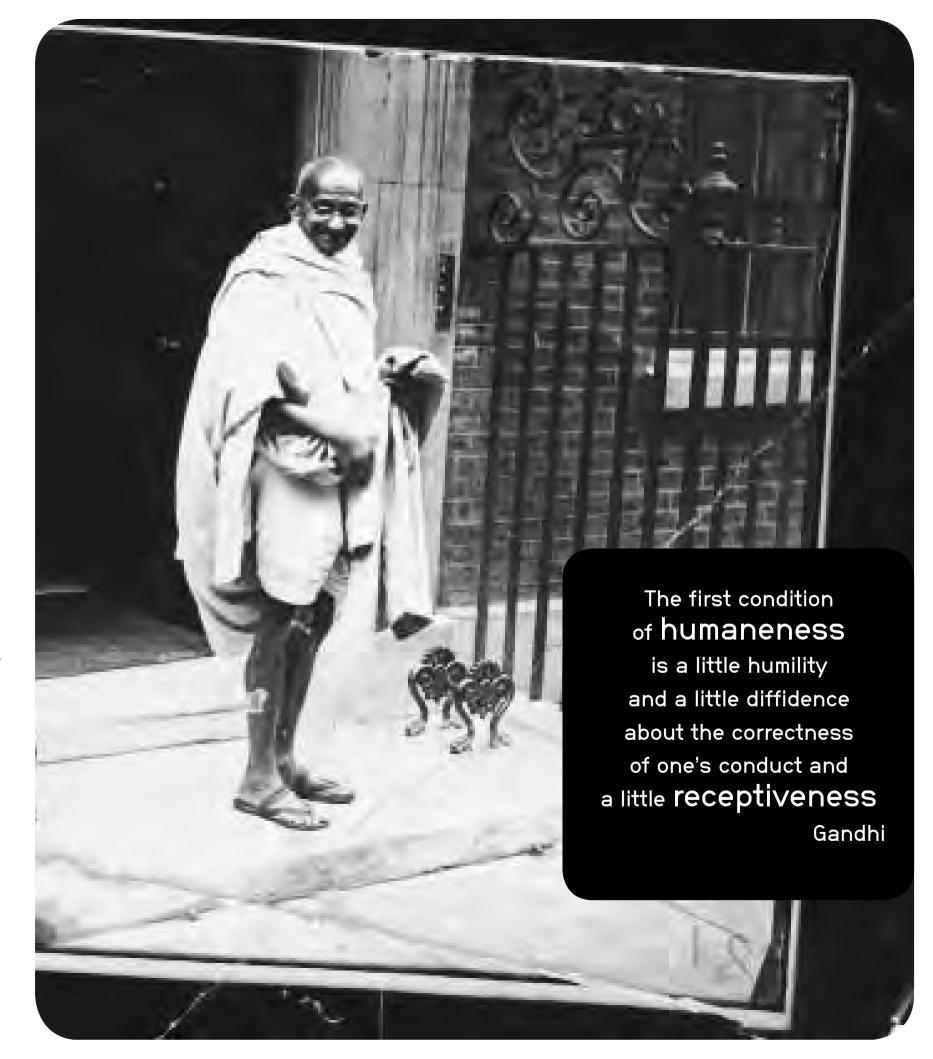
In 2008, global growth in the pharmaceutical market reached 5%, though with different growth rates: in emerging countries (+13%), in Europe (first 5 countries +4%) and in the USA (+2%). Hence, companies in the Fine Chemical sector that sell mainly to Western countries experienced very low growth. The pharmaceutical market, despite its non-cyclic nature, has begun to feel the first impacts of the global economy crisis. Therefore, under such blatantly not optimal circumstances, the Custom Synthesis sector, which uses high technology to produce raw materials, is suffering from the lack of new projects and the delays affecting ongoing ones.

The pharmaceutical sector's level of innovation has been very weak. Less than 20 new molecules were approved by the Food and Drug Administration (FDA) in 2008, most of which in the Biotech sector. This situation also marks the business of ZaCh's customers, while ZaCh's Custom product portfolio accounts for 41% of its sales.

At the same time, strong price competition is becoming more and more evident, especially for European companies which are also influenced by the strength of the Euro. For the future, it is estimated that as much as 39% of the sales of the twenty largest pharmaceutical companies are at risk due to the strong competition with generics expected for the period from 2008 to 2012. Actually, the generic drugs industry reported sales for 112 billion US\$ in 2008, continues to be very dynamic in relation to volumes, having attained one third of additional volumes in the past five years. However, it is suffering from strong price erosion that enabled a mere 3% growth in value in 2008.

The first steps towards integration

The year 2008 was very difficult for ZaCh because of external causes, such as a market distressed by the lack of new products and the delayed introduction into the market of existing ones, strong price competition and important customers policies aimed at reducing their inventory. Its own situation did not help either, since they had decided to undertake a restructuring process at the two production plants bought at the end of 2007. After the acquisition of the Fine Chemical business of PPG Inc., the two acquired production facilities (La Porte in Texas and Avrillè in France) had a very intense year marked by tough transition within an unfavourable general context and involving some peculiar difficulties. After having mapped the critical processes, priority policies and procedures were identified within the human resources management area.



Their operating impact was evaluated, and the integration and harmonization plan for the various facilities was drawn up. A new organization was defined within the research group to monitor the evolution occurred following the new acquisition. Internal resources were evaluated based on the experience and competencies gained in the course of time. Training paths to develop and improve the existent skills were defined, and also newly hired young people whose talent had been recognized were promoted.

During 2008, ZaCh System S.p.A. continued to carry out an intense training activity including hands-on sessions as well as a continuous education programme on current rules and regulations regarding health and safety, environment and quality. In order to ensure proper implementation of the great number of local, national and international environmental rules and regulations, ZaCh equipped itself with structures which performed special control and constant monitoring tasks, and plans to continue supporting appropriate investments for the quality level required.

The production facility in Lonigo obtained and regularly renews the following certifications: Health and Safety Management System according to the standard OHSAS 18001 in 2004, Environmental Management System according to standard ISO 14001 in 2003 (renewed in 2006), and Quality Management System according to standard ISO 9001 in 2003.

ZaCh System and its results

ZaCh System S.p.A. produces active principles and intermediates for pharmaceutical products. After its acquisition of the Fine Chemical business from PPG Industries Inc. in 2007, its sales rose considerably in 2008 thanks to increased attractiveness on the international market, the complementariness of its customers and especially a better balanced product portfolio among its three business lines. This included manufacturing generic drugs, custom synthesis and captive products for the Zambon Group.

Growth in the custom sector is particularly evident. This confirms a well-defined strategy in balancing the portfolio, the correspondingly reduced weight of the generics business and an increase in the percentage of captive business resulting from good performance of the pharmaceutical business within the Group.

Indeed, within the **Captive** segment, the excellent performance of n-acetyl-cystein produced for internal use was confirmed, as was the staying power of fosfomycin trometamol despite the recent potential opening of the generics market.

Sales remain stable for consolidated products like Sulindac, Diltiazem and

Nifedipine, even if they face strong competition from Asian markets.

Conversely, sales of the chief generic drug reported a 12% drop in volume in relation to forecasts because of ZaCh's exposure to exchange rate risks following its activities and transactions in currencies other than Euro, in the case of net exports from the Euro area to the dollar area. In fact, since it operates at international level, ZaCh is obviously exposed to market risks associated with fluctuating exchange rates. Notwithstanding volumes that were higher than expected, in 2008 n-acetyl-cyctein also was influenced by the general increase in market prices mainly caused by the upward trend of raw materials purchased from China.

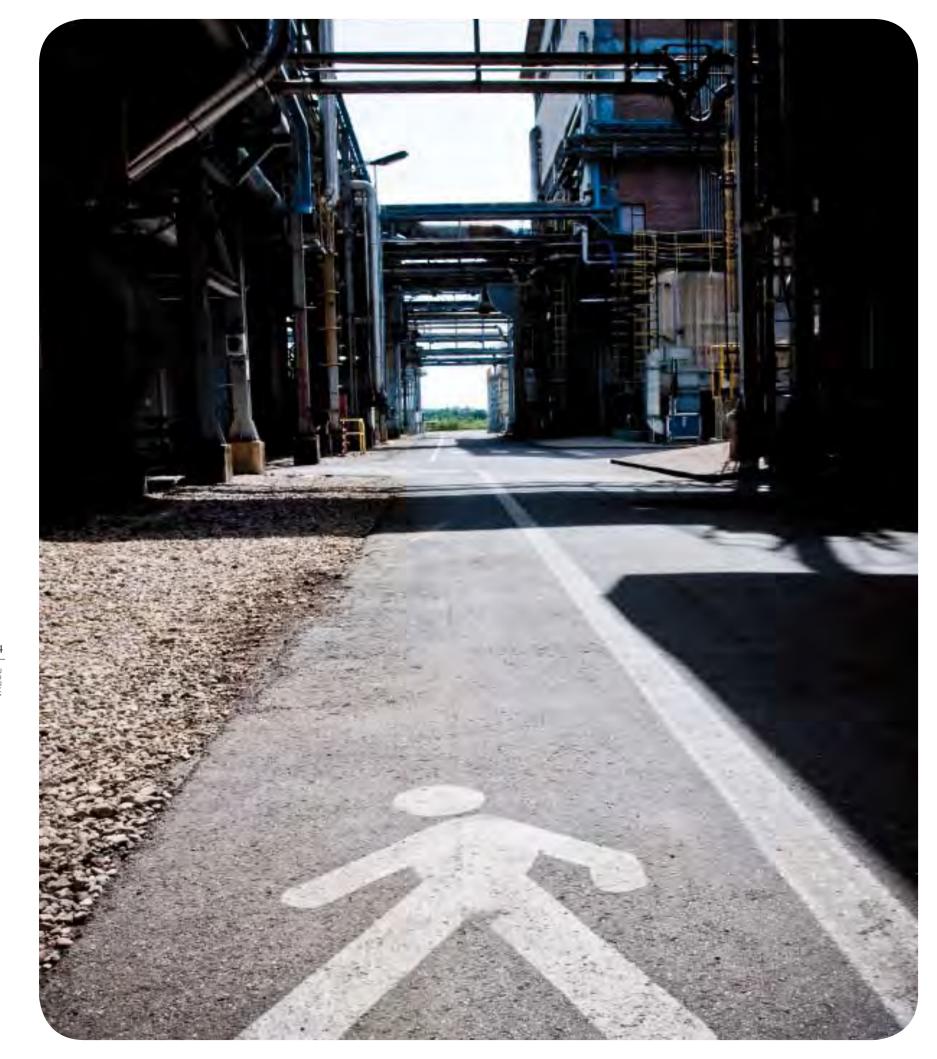
In the Custom Synthesis area, the sales of the synthesis intermediate product of an antiviral drug developed and produced for one of the largest big pharmas exceeded 13 million Euros thanks to the strong market demand, while, more generally, the other products retained their positions in terms of volume and value despite the imminent expiration of their relevant patents. What dropped, instead, were the sales of some intermediates of active principles subjected to a restriction of indications by health authorities. These products experienced a slight dip in turnover.

Research and Development

In 2008, research and development activity was very intense in both the custom and the generics sectors. Each year, ZaCh receives approximately 50 evaluation requests for new custom projects. For approximately 30% of them, it makes a technical/commercial offer that is approved by the market in about 5% of cases.

In the Generic Drugs sector, extensive development work has been initiated for some new products, while efforts are ongoing to obtain more efficient industrial processes for products already included in the portfolio. In relation to the technological area, several strategic priorities were identified for the purpose of improving our technological offer and increasing our competitiveness. In particular, the following steps were deemed necessary:

- improving the intensification process through the use of micro-reactors and continuous processes that are essential to some chemical reactions like Ozonolysis (a new technology developed by ZaCh System) or Hoffmann (the chemical synthesis of Gabapentin);
- investigating the use of Photobromination to develop greater productivity and increase its safety;
- initiating with the university of Graz in Austria an important project regarding biocatalysis, which is a complementary instrument to our current set of chiral tools.

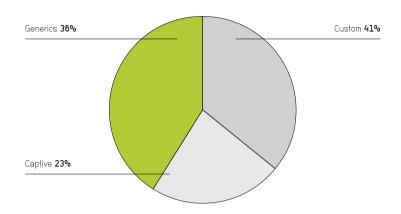


The future challenge

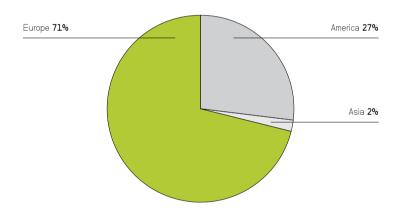
The company operates in highly competitive market in terms of product quality, innovation, reliability and safety.

The success of ZaCh System's activities will increasingly be dependent on the strengthening of business relationships with the large multinationals of the pharmaceutical sector for which it produces active principles. Another decisive factor will be building a new customer portfolio focused, for instance, on biotech companies, which entrust industrial process analyses for their innovative and high-quality products only to qualified operators. Within this overall, less-than-favourable economic and financial context, we think that 2009, too, is going to be a difficult year for ZaCh, involving many challenges from the market terms and from increasingly competitive rivals. At the same time, ZaCh will still have to work hard on optimizing internal organization of its industrial structure and on consolidating fertile and mutually satisfying relationships with customers. In fact, the long-lasting relationships entertained with pharmaceutical multinationals, based on the acknowledgement of the Group's research expertise and its precision in performing final processes, have always attested to this company's commitment.

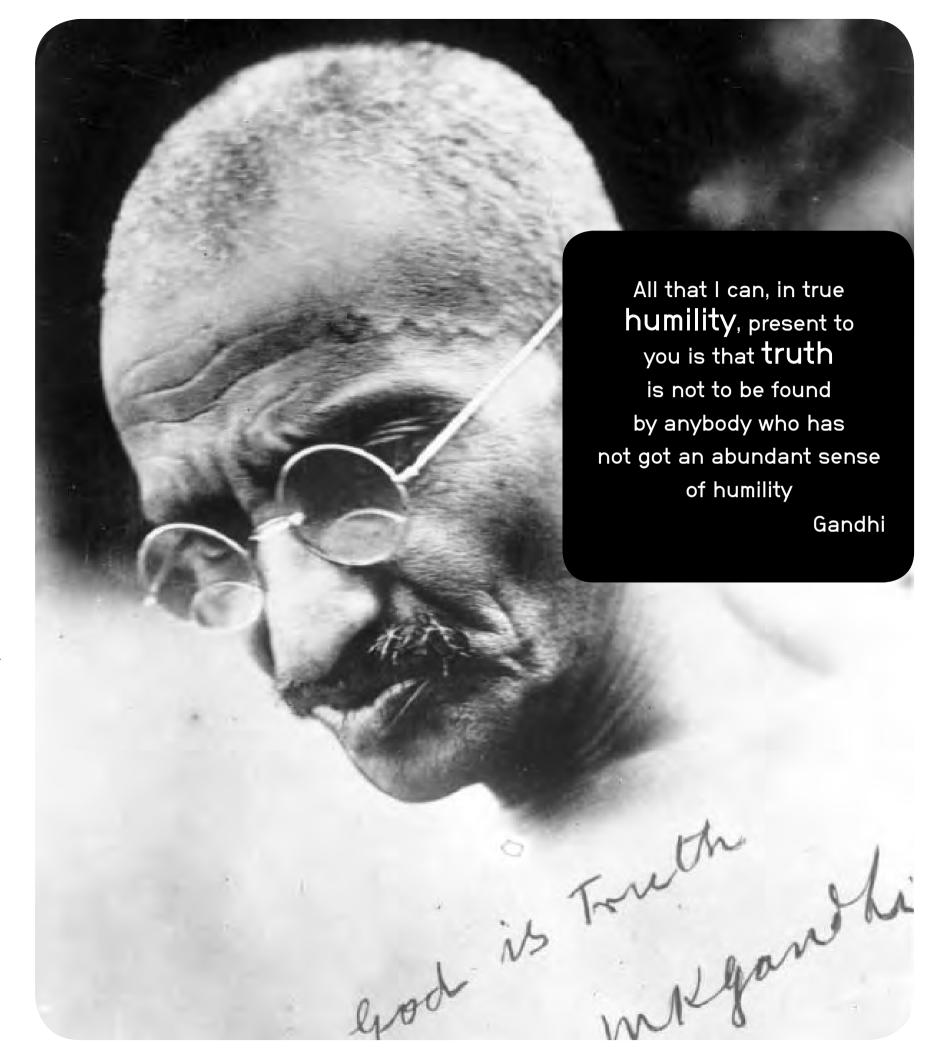
2008 SALES PER BUSINESS %



2008 SALES PER GEOGRAPHICAL AREA %







INCUBATOR: Z-CUBE

Z-Cube's mission is that of transferring early stage technologies from the field of academic research to the entrepreneurial world through the creation of innovative products

Believing in innovation

Zambon's strong penchant for research has enabled us to develop a business model aimed at promoting innovative elements derived from the outer world. This was the reason Z-Cube was established in early 2003. Its purpose is to locate, within the international scientific-academic world, areas of therapeutic innovation that can be adequately developed.

During its first five years of business, more than 900 project proposals were examined, 60 of which were selected for the setting up of ten business plans. Initially, Z-Cube operated through with mainly financial business model promoting academic research projects aimed at the identification of new therapeutic principles. In this phase, the selected projects were accompanied up to phase of preparing the business plan necessary to raise capital for the launching of the relevant spin-off companies, of which Z-Cube is currently one of the investors.

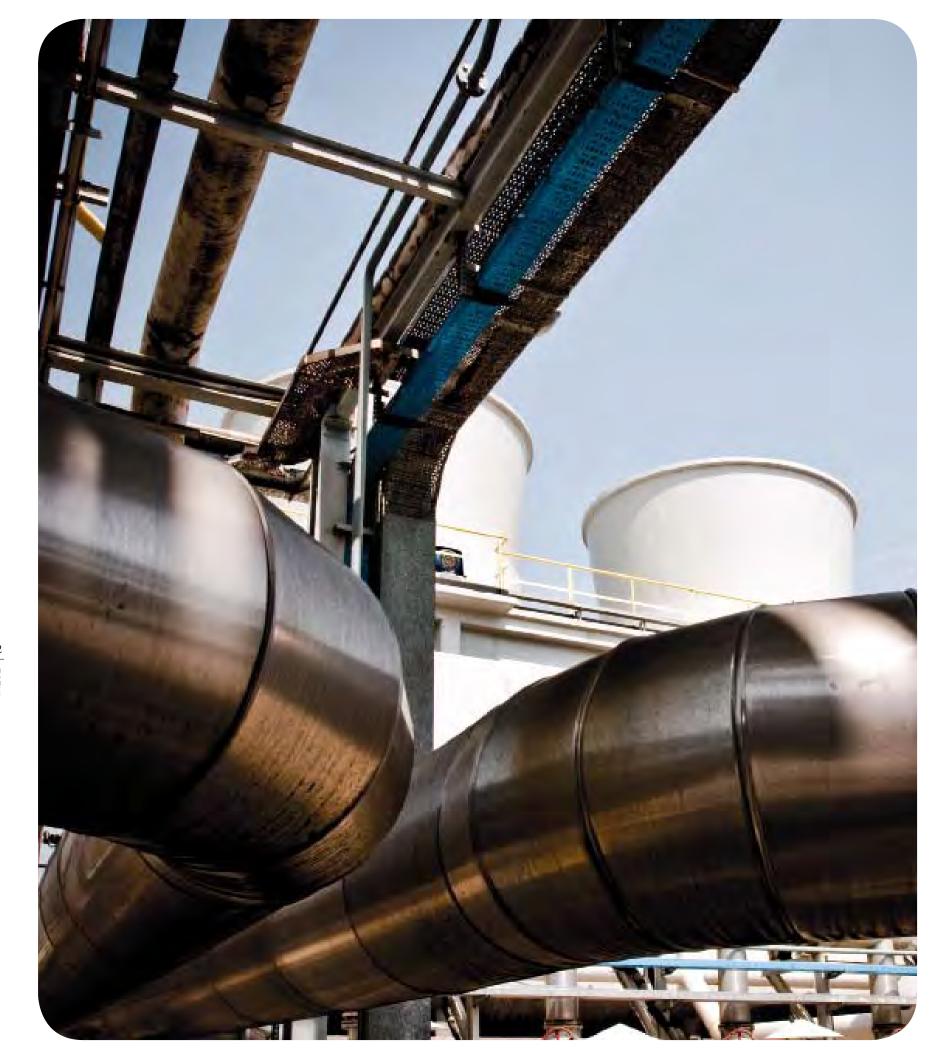
At present, Z-Cube has decided to focus its attention on innovative early stage technologies of drug delivery. The business model adopted combines the financial profile with a direct industrial role in a balanced way. This approach to universities has made it possible to identify promising projects and develop synergies with the therapeutic areas of the company's core business, fostering the emergence of further opportunities for Zambon.

Z-Cube: industrial and financial competencies to enhance academic research

In 2008, the evaluation process was completed that defined the activity areas in which and modalities through which Z-Cube can operate to contribute to the growth and development of the pharmaceutical business of the Zambon Group.

Z-Cube shifted its focus to innovative drug delivery technologies that enable the transmission of therapeutic principles to the patient in an optimal and ameliorative way. For this purpose, particular attention is being devoted to translational research for more effective transferability of the results from pre-clinical research to clinical activity. This is actually integration between experimental research and clinical application.

Technology platforms, still at a preliminary stage within international university groups, are duly selected and promoted pursuing two goals at the same time: turning young technologies into business opportunities through a validation and industrialization process, and at the same time creating the conditions to generate new drugs employing these innovative



drug delivery technologies.

Z-Cube uses a consolidated network of external collaborators to scout for new opportunities in Europe, Israel and the USA, an international Scientific Advisory Board made up of experts in drug delivery technologies, and the characteristic competencies of Zambon's internal structure in the fields of pharmaceutical development, clinical development, patenting, regulatory affairs and business activities.

The involvement of a player with an industrial-financial profile like Z-Cube, from the earliest project stages, makes it possible to more consciously assess the risks related to the development of innovative molecules and technologies. At a later point, this also enables academic research to become connected with the venture capital companies in a more attractive way when the project is at a more advanced stage.

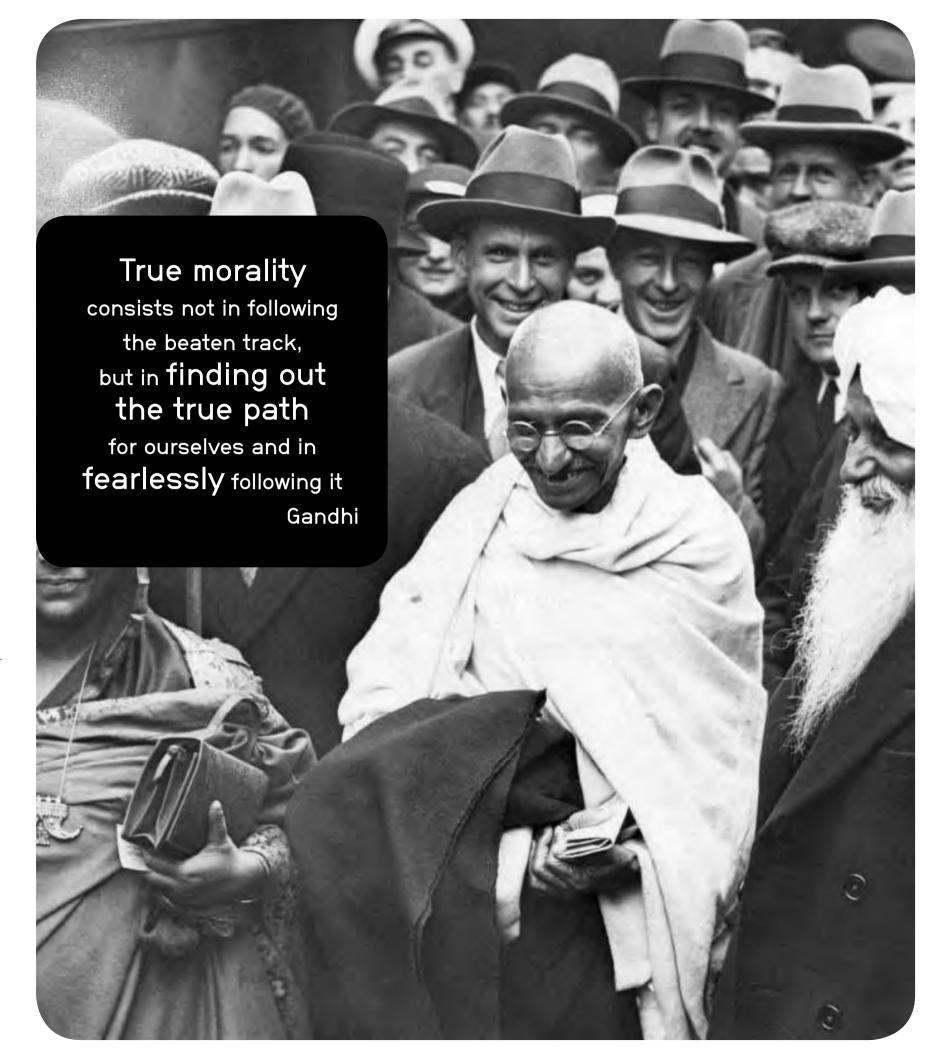
Z-Cube: a financial partner

Today, Z-Cube is among the investors of three European biotech companies: PharmEste Srl based in Ferrara (Italy), SuppreMol GmbH based in Munich (Germany), and ProtAffin Biotecnologie AG based in Graz (Austria). As far as these three companies are concerned, Z-Cube operates as a venture capital firm supporting the investment programme, therefore playing a predominantly financial role aiming at the company's success. The development plans for the three companies, in line with forecasts, offer a positive vision for future growth.

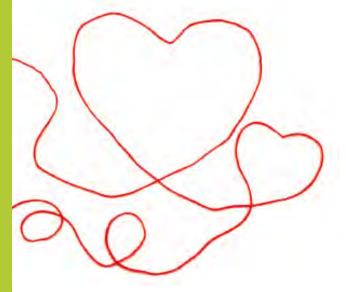
PharmEste S.r.l., a spin-off company of the university of Ferrara, has the goal of identifying and developing TRPV1 (Transient Receptor Potenzial Vanilloid 1) receptor antagonists for the treatment of TRPV1-mediated pathological conditions such as neuropathic pain and urinary incontinence. The first drug candidate (V377) has been identified and the first clinical study of phase I is planned for 2Q2009. After a Round A of financing for 3.2 million Euros in 2007, Pharmeste completed a first Round B of financing, equal to 6 million Euros, in October 2008 with the entrance of important new investors.

SuppreMol, GmbH, a spin-off company of the Max Planck Institute of Biochemistry in Munich (Germany), focuses on the treatment of autoimmune diseases such as Lupus Erythematosus, Idiopathic Thrombocytopenic Purpura, Rheumatoid Arthritis, and Multiple Sclerosis. The first drug candidate (SM101) has been identified and the first clinical study of phase I is planned for 2Q2009. SuppreMol closed a Round B of financing for 15.7 million Euros in July 2008.

ProtAffin Biotecnologie AG, a spin-off company of the Karl-Franzens University in Graz (Austria), operates in the field of inflammation-based diseases like Rheumatoid Arthritis, Crohn's disease, COPD and cancer. The development of Protaffin's technology platform led to the identification of the drug candidate (PA401) currently at the pre-clinical development stage. The phase I clinical study promo is scheduled for 2Q 2009. A Round B of financing is also expected to be completed by 2009.



FROM VALUE TO VALUE A THIN COMMON THREAD FROM HEART TO HEART



Once upon a time there was a story, which is there still now.

Yesterday, today, tomorrow.

So as to give meaning a chance, as it goes on, always and again.

Without the past slowing down its movement, and giving it a beginning, instead.

Without the present stopping its flow, and offering it a chance, instead.

Without the future announcing its end, and providing it with new horizons,

instead.

That's what a story should do.

To tie the threads, between certainties and fears.

To weave its plot, between sorrows and wishes.

That's why a story is a feat. And a challenge.

Day after day, with courage. That's the time of a story.

That's why a story is concerted. Like a chorale with many voices.

Hand in hand, with strength. That's the space of a story.

That's why a story is memory. And hope.

Always and again, patiently. That's the meaning of a story.

Otherwise it is forgotten. It gets lost.

And along with it, we get lost, too. Each of us in our own lives.

Side by side, but not close. Close, but not together.

Together, but not united,

with our own identity, our own past experiences, our own personality.

That's the purpose of a story.

Forming ties, between people, lives, differences.

In a story, there's room for everybody.

There has always been,

coming from far away to go on,

forever, to walk towards the future.

That's why it is a story.

Mine, yours, ours.

GABRIELE GROSSO

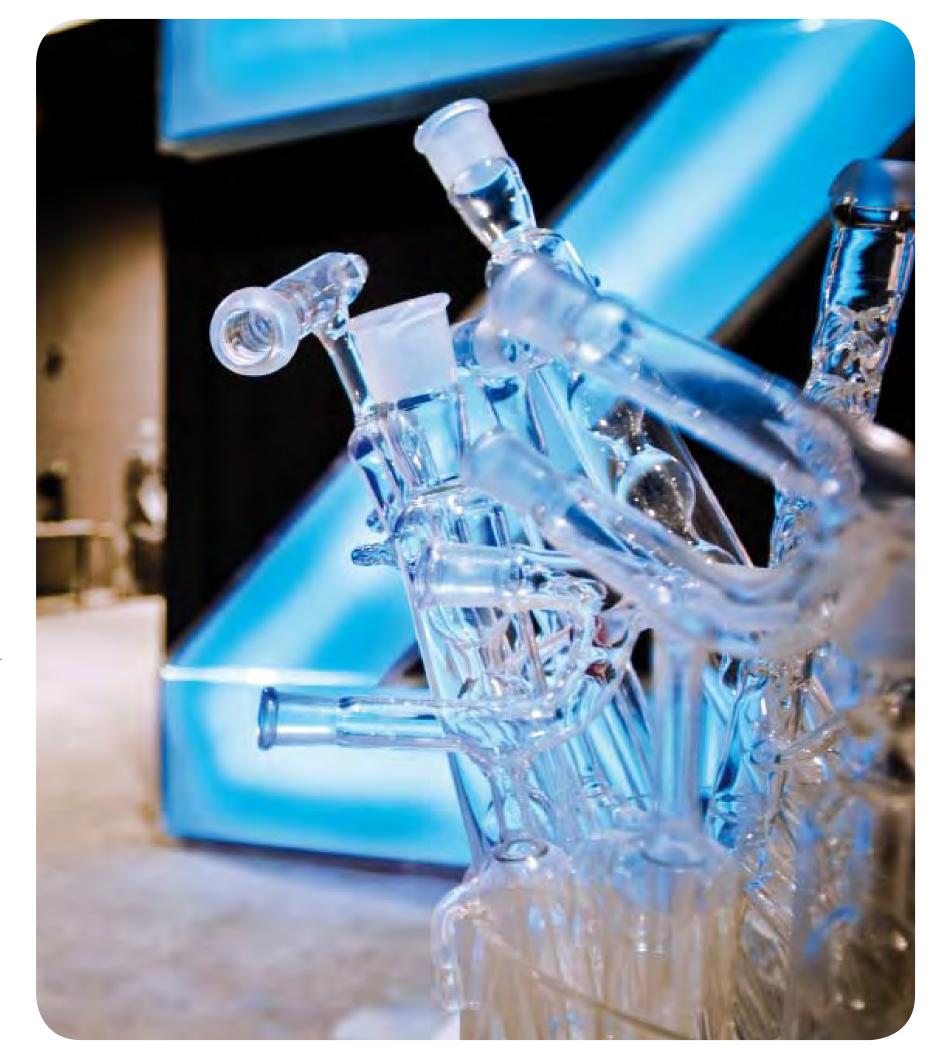
REINVENTING OURSELVES RESPONSIBILY: ASSERTING A STRONG IDENTITY

Zambon 1906 Continuously asserting one's identity – that's the path that led us to reformulate our Corporate Brand. Zambon is an Italian company that, through its uniqueness, expresses the distinguishing features of Italian entrepreneurship and work. Zambon has a strong corporate identity, which it conveys internally as well as externally also through its brand, through the narration of its history, its successes and changes, through its values as much as through its products, of which it is very proud.

We have designed and rediscovered the corporate brand Zambon as a guarantee of the quality and values, the strength of our products. We have chosen the colour green, because it is an element of continuity with the green of our origins that also appears current and distinguishing. On the logo, the presence of the date 1906 conveys our pride in using this symbol to represent our legacy and the credibility inherited from our history.

We like to convey our business approach especially on certain occasions that regularly occur each year, special dates on our agenda: the welcome day for new employees (Welcome on board!) which is held three times a year and represents the first step of a broader project for the introduction of new staff members, the day that we update all Zambon personnel with regard to business results and main ongoing projects, the winter and summer editions (our Goood Morning), and Christmas together – a great big party held last year at our Bresso headquarters where we had the pleasure of sharing moments of close togetherness with our colleagues from Vicenza and Lonigo, and also former Zambon colleagues who are now retired.

This is our way of experiencing a business community: meeting and being together as often as possible like people do in real life. In doing so, we feel comfortable even without our roles. We can just be ourselves.





Benvivere is a project that we started in 2007 to represent our way of being and understanding work. Since its beginning, it has had the aim of promoting a common feeling of belonging and making our community alive and genuine, since we consider it a place of professional and personal growth as well.

This attitude puts the individual at the centre of everything, through learning, improvement and valorisation of people regardless of their professional roles and functions.

During 2008 we planted the seeds to develop our Nursery, through the white trees that have become one of our symbols because they enable us to turn the values and principles of Benvivere into behaviours. In 2009, these trees will keep growing. The Talent Tree aims at promoting artistic talent – and other talents as well – through the organization of exhibitions within the company, and the Solidarity Tree has been taking care of solidarity actions since last year. The Tree for You is meant to offer services to people (such as language courses, laundry service at work, discounts, office massage, etc.) and the Health Tree, the heart of the Nursery, deals with health issues and helps us take care of ourselves with the same accuracy as our products do with our customers.

Zambon's profile is based on the people that work there, or have done so in the past, concentrating on constant improvement, quality and organizational management, genuinely but without exasperation. Both inside and outside the company, Zambon succeeds in conveying its progress and its personality as an Italian enterprise and a unique and vital organizational body.

At Zambon, we appreciate what people do, and also the way they do it. Zambon is an organizational network with flexible roles and vital organizational units that operate and interact nimbly, quickly, reactively in view of the company's economic and social goals.

Zambon expresses its special character mostly through its people. It promotes constant education and increasing skills.

We started from the centre to be able to closely witness it, but today our strength has also spread to production plants. Thus, we can be global and still recognize ourselves as being always the same in our colour codes, symbols, pictograms and our trees.

Wherever we go, in countries where we meet our colleagues, we are able to grasp the wealth of diversity because we have a similar soul and shared values.

The values that guide Us

Zambon operates on the basis of essential values, namely principles meant to guide the conduct of the company and its staff. These values are the prerequisites for our behaviour. To us at Zambon, values are something worthwhile being pursued with the greatest commitment.

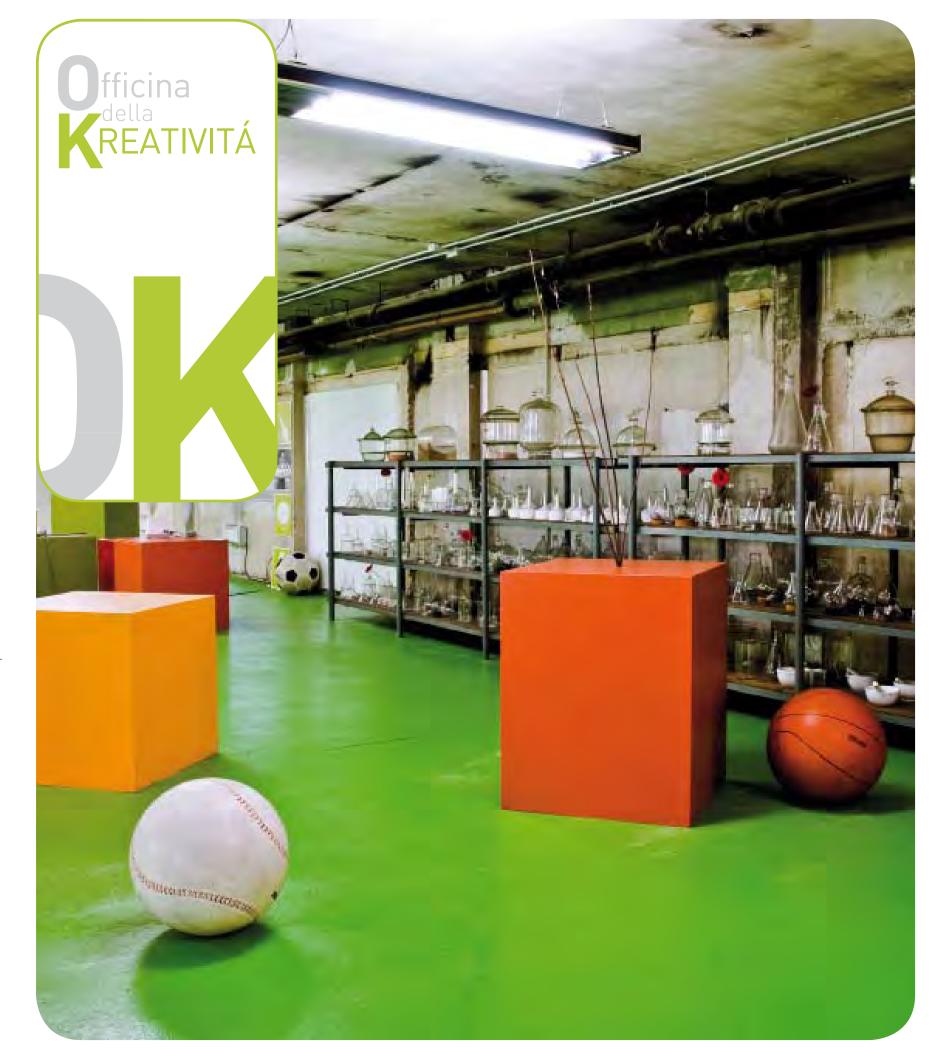
- Ethical values: integrity, honesty, attention to people, humility.
- Personal values: developing talent and passion, opening up to courage and curiosity, a strong inclination to be together; values that can be of service in our profession.
- Professional values: innovativeness, quality, responsiveness, discipline. values we can employ in our strategies and everyday goals.

Ethical, personal and professional values form an integrated element of business culture that needs to be cultivated and pervasively conveyed, especially through the spreading of good examples. Integrity and humility are at the root of all values, because they enable us to become aware of our own and other people's responsibilities before we begin quickly carrying out anything.

This integral part of Zambon's values was put into practice in 2008 when the new Code of Ethics was launched and organizational models were adopted that enable us to safeguard responsibility within an extended group such as ours, both concerning our widespread global presence and our different business profiles: the business-to-consumer profile of the pharmaceutical sector, and the business-to-business profile of ZaCh chemicals.

Corporate governance helps achieve the crucial balance among the corporate structure, its working mechanisms, and the managerial organization, which has also to deal with important general issues related to the integration of several business lines within the Group.

As a further means to protect our stakeholders, we also expanded our Internal Auditing structure to serve and protect the corporate compliance and thus support the chief business sectors in which we operate.



WHAT WE MEAN TO BE IN 4 SENTENCES

Zambon is a sound enterprise built to last and populated by a community that shares strong values to attain economic and social goals displaying integrity and humility.

- We mean to be an enterprise producing value as an act of integrity and humility
- We mean to be humble to put our community at the disposal of others
- We mean to be always responsibly listening so as to grow, to promote courage, participation, the relationships of all our staff, of our stakeholders
- We mean to be genuine to live a long life supported by a sound and concrete history of values.

Experiencing social responsibility

Zambon respects the legitimate interests of all stakeholders. It listens to and promotes them. Our corporate values are based on our commitment to the receivers of the drugs and services, our care for those working with the company, the development of the communities in which we operate, environmental sustainability and our respect for investor partners.

Our efforts to listen to the needs of the various stakeholders, optimize on them together, put ourselves at other people's disposal, and favour spontaneous cooperation are an integral part of the company's management system in the process of setting and implementing multiple goals. This comprehensive social respect is a crucial factor to preserve reputation, attain economic success and ensure the life of a company.

Being aware of the fact that training represents an essential investment, Zambon instituted an international scholarship programme called "Giovani Energie" (Young Energies) in 2006 to support the education and learning of its employees' children.

Pursuing the goal of providing support to families facing particularly difficult conditions and motivating and rewarding the most outstanding for their scholastic achievements, in 2007 Zambon launched the programme "Borse di studio solidali" (Solidarity Scholarships). In 2008, we started the programme "Borse di studio per merito" (Merit Scholarships), thanks to which we have supported seventeen of our employees' children in their education.

On the occasion of its first centennial, Zambon established the Foundation ZOÉ – Zambon Open Education – in Vicenza, the city where the "great entrepreneurial adventure" began. The new programme had the aim of contributing to the growth of a new awareness about issues concerning health and wellbeing among the general public and selected targets of operators, physicians, pharmacists, social workers and associations. A targeted action that became a true reality interacting with leading experts, Universities and Research Centres in Italy and abroad, conducting interdisciplinary research projects and publishing their results, as well as implementing special graduate and post-graduate courses. People's health and the value of knowledge are the corporate principles that have guided the group since its establishment and have determined its growth. Therefore, these are Zoé's constitutive elements.

Thus, it is within the field of Health Communication, a sector still rather

neglected in Italy despite the growing demand for information, that Zoé intends to play a leading role to contribute to spreading awareness among the population when a new health notion emerges. Starting from the core of Zoé, the "O" of "Open", which represents the outward opening and the focus on progress, elements that have inspired the Foundation since the start of its activity, and thanks to the guidance of a first-rate Scientific Committee.

Hence, as evidence of its strong regional connotation, in June 2008 Zoé organized a public Forum called "Vicenza 2015", which saw the participation of several opinion leaders from different professional sectors. During the event, the results were presented of a sociological study on the future of cities and on the guidelines that will determine their strategic development over the next 7 years.

The research was conducted in form of a forecast survey. Through the Delphi approach, nine experts belonging to different disciplines and acting as local opinion leaders were interviewed on the situation in Vicenza. The result of the survey was then discussed by a qualified group of speakers asked to evaluate the implications of the phenomena forecasted by the research in the presence of the community of Vicenza, which was asked to take part in the event.

The Foundation published the results of this research in the book Vicenza 2015. "Le prospettive economiche, sociali e politiche per i prossimi sette anni" ("The economical, social and political perspectives for the next seven years").

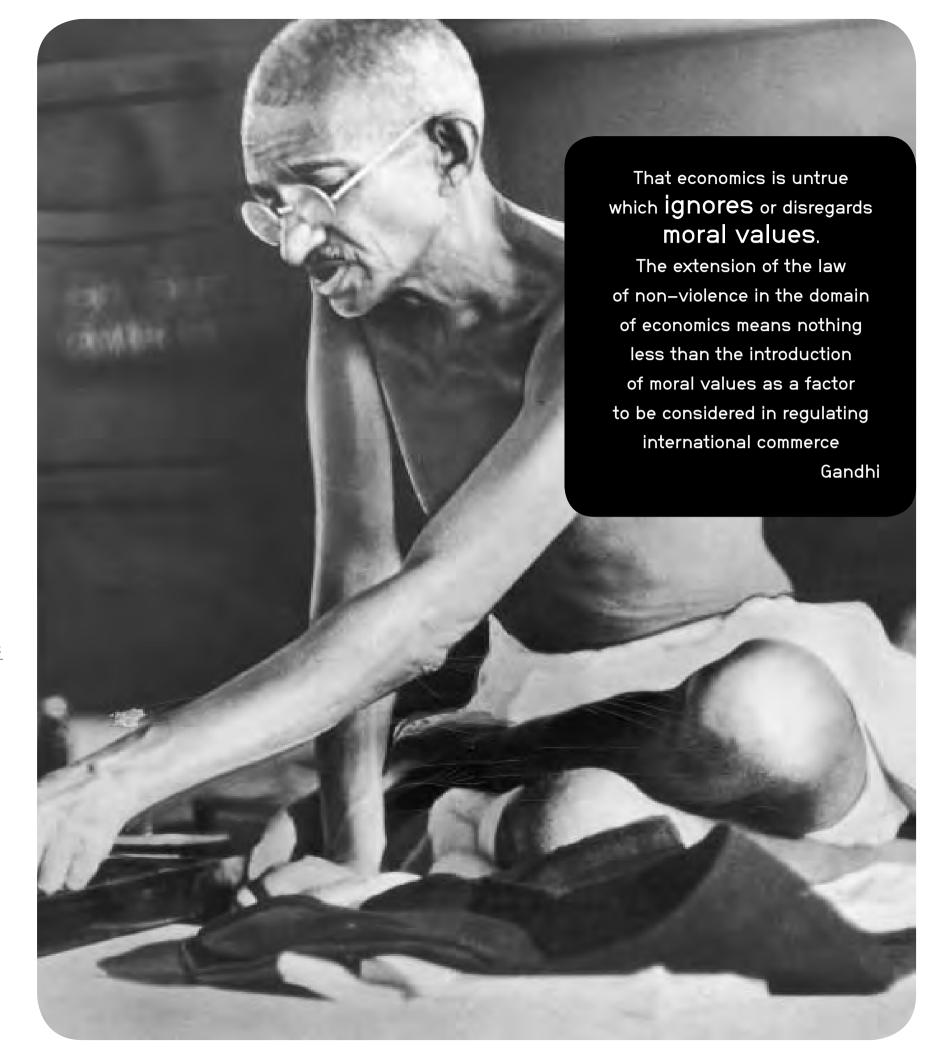
"Vicenza 2015" served also as a preliminary phase in the drawing up of the Genius Loci, which was completed by the end of the year as well. This is a document on the city of Vicenza which investigates the town's historical, social and cultural identity with the help of institutional sources and through other means.

During 2008, collaboration was renewed with the University of Pavia through the support given to an inter-faculty course on Health Communication, while at the same time the foundations were laid for the production and publication of a health communication manual. An ambitious project that will also result in the publication of an encyclopaedic textbook mainly meant for university students, the academic world in general, and the medical and scientific sector. The project, due for presentation in 2009, will use an interdisciplinary approach to exhaustively investigate the relationship between health and communication and will get as far as to define the basic principles for a new notion of health.



"Only the widening of one's scientific knowledge and the tireless investigation into all social and organizational problems enable us to rise above mediocrity and make ourselves truly useful and almost indispensable."

Gaetano Zambon, July 1938





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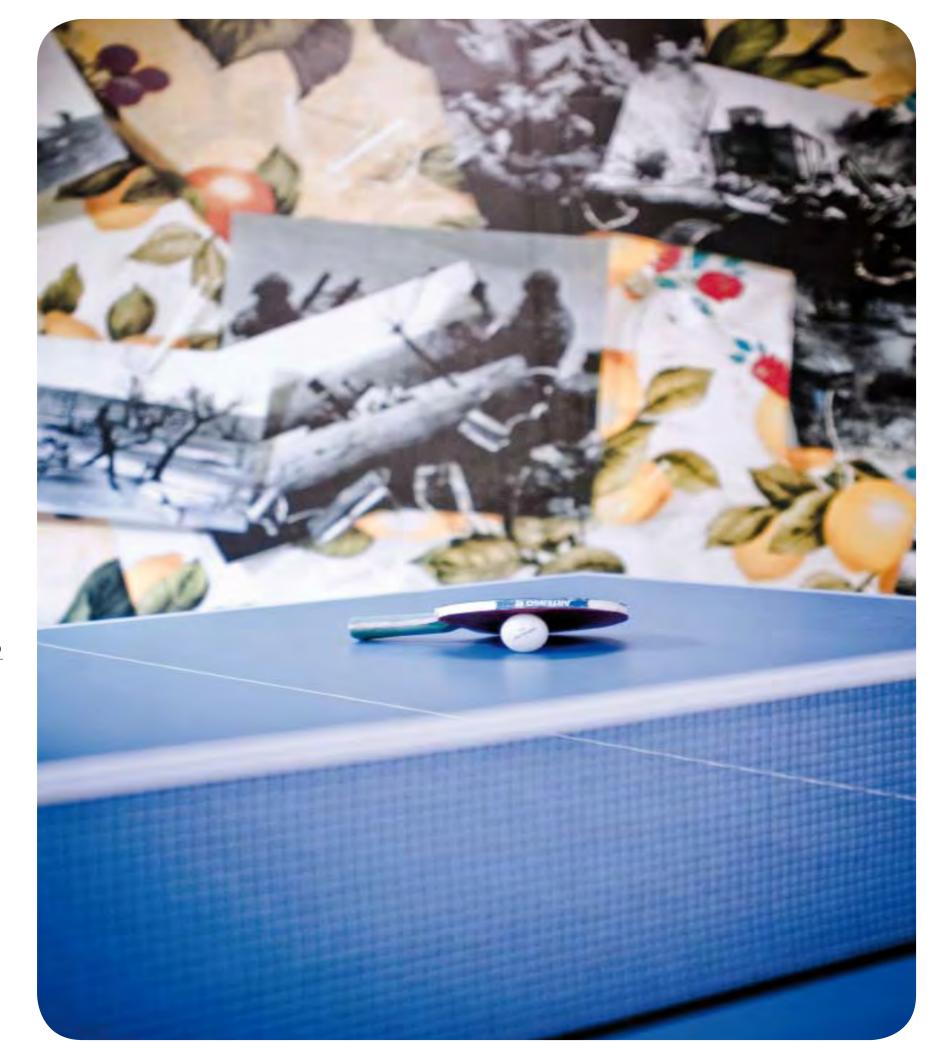
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REPORT OF INDEPENDENT AUDITORS PURSUANT TO ART. 2409-TER OF THE ITALIAN CIVIL CODE

To the Shareholders of ZAMBON COMPANY S.p.A.

We have audited the consolidated financial statements of Zambon Company S.p.A. and its Subsidiaries as of December 31, 2008. The consolidated financial statements prepared in accordance with the Italian law governing financial statements are the responsibility of the Directors of Zambon Company S.p.A. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes as required by law, reference should be made to our auditors' report issued on June 4, 2008.

In our opinion, the consolidated financial statements present fairly the financial position of Zambon Company S.p.A. and its Subsidiaries as of December 31, 2008, and the results of its operations for the year then ended in accordance with the law governing financial statements.

The Directors of Zambon Company S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by Art. 2409-ter, paragraph 2, letter e), of the Italian Civil Code. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion, the Report on Operations is consistent with the consolidated financial statements of Zambon Company S.p.A. as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.

Signed by Stefano Dell'Orto Partner

Milan, Italy June 5, 2009

This report has been translated into the English language solely for the convenience of international readers

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REPORT ON OPERATIONS AT 12.31.2008

To the Shareholders:

Delivering sound operating and financial performance, 2008 has been another successful year for your Group. Looking at the Group's two principal business streams, 2008 has been a year of satisfaction for the pharmaceutical sector, whilst the last twelve months have not been easy for the fine chemicals sector, whether due to no respite from ongoing global misery over the past months or new projects abandoned or deferred, aggressive competitive pressure on prices and the policy adopted by major customers to reduce stock levels, or, on the Zambon landscape, the need to reshape both sites acquired. Delivered by Zambon Company S.p.A. Group over the last twelve months was consolidated net income in the amount of Euro 58,624 thousand (FY07: Euro 73.248 thousand). Delivered by the Group over the last twelve months was turnover in the amount of Euro 554,503 thousand (FY07: Euro 509,851 thousand), or 8.76% more than the year before by way of reflection of the improvement hiked by sales in the pharmaceutical business stream and line-by-line consolidation in the fine chemicals business stream of the PPG Industries Inc. business line acquired on November 30, 2007. Presented below on a comparative basis with 2008 are the key financial highlights for 2007.

			All amounts in Euro/'00		
		2008	2007	Change	
А	Value of production	578,904	526,155	52,749	
В	Operating costs	323,302	276,887	46,415	
C=A-B	ADDED VALUE	255,602	249,268	6,334	
D	Cost of labor	141,890	119,421	22,469	
E=C-D	EBITDA	113,712	129,847	(16,135)	
F	Depreciation, write-downs and other provisions	29,188	26,446	2,742	
G=E-F	OPERATING RESULT	84,524	103,401	(18,877)	
Н	Finance income/(expenses), Net, and adj. to the value of fin. assets	(1,706)	6,159	(7,865)	
I=G+H	RESULT BEFORE EXTR. ITEMS	82,818	109,560	(26,742)	
L	Extraordinary income, Net	4,266	0	4,266	
M=I+L	RESULT BEFORE TAXATION	87,084	109,560	(22,476)	
N	Income tax	28,364	36,175	(7,811)	
0	Minority interest in net income	96	137	(41)	
P=M-N-0	NET INCOME	58,624	73,248	(14,624)	

Over the last twelve months, the result before taxation stepped back Euro 22,476 thousand to Euro 87,084 thousand (or 14.9% when taken as a percentage of the value of production), as compared to Euro 109,560 thousand (or 20.8% when taken as a percentage of the value of produc-

tion) the year before. Along with operating income in the amount Euro 84,524 thousand (FY07: Euro 103,401 thousand), also working toward all this were net finance expenses and adjustments to the value of financial assets in the amount of Euro 1,706 thousand (FY07: net finance income in the amount of Euro 6,159 thousand). The pre-tax result and minority interest was Euro 87,084 positive (FY07: Euro 109,560 thousand positive). After recording Euro 28,364 of income tax and Euro 96 thousand of minority interest in net income, the net result delivered by the Group was Euro 58,624 thousand positive (FY07: Euro 73,248 thousand positive). Over the last twelve months, the overall shape of your Company's balance sheet placed in evidence fixed asset investments in the amount of Euro 222,424 thousand, as compared to equity in the amount of Euro 289,666 thousand. Hence, the composition of capital employed is as follows:

			All amounts	in Euro/'000
	CAPITAL EMPLOYED	2008	2007	Change
	Intangible assets	20,599	13,761	6,838
	Tangible fixed assets	132,730	131,761	969
	Financial fixed assets	69,095	11,216	57,879
А	TOTAL FIXED ASSETS, NET	222,424	156,738	65,686
	Inventories	89,554	79,961	9,593
	Receivables	152,821	147,547	5,274
	Payables	(206,892)	(209,173)	2,281
В	NET WORKING CAPITAL (current assets)	35,483	18,335	17,148
C=A+B	CAPITAL EMPLOYED (less current liabilities)	257,907	175,073	82,834
D	'TFR' Provision	(11,839)	(12,822)	983
E=C+D	NET CAPITAL EMPLOYED	246,068	162,251	83,817
F	EQUITY	289,666	277,012	12,654
G	NET FINANCIAL INDEBTEDNESS	(43,598)	(114,761)	71,163
H=F+G	TOTAL SOURCES OF FINANCING	246,068	162,251	83,817

Over the last twelve months, net fixed assets moved forward Euro 65,686 thousand mainly driven through by treasury shares purchased in the amount of Euro 56,839 thousand. Net working capital moved ahead Euro 17,148 thousand from the year before, mainly as a result of the positive change in the ratio of receivables to payables (+Euro 7,555 thousand) and inventory growth (+Euro 9,593 thousand) with, in consequence, net capital employed moving upward Euro 83,817 thousand. By way of attendant consequence of the Euro 51,477 thousand dividend payout distributed by Zambon Company S.p.A., equity after minority interest as at December 31, 2008 stretched out to reach Euro 288,745 thousand (December 31,

2007: Euro 276,262 thousand). By virtue of profit for the year and dividend payout, equity before minority interest moved from Euro 277,012 thousand as at December 31, 2007 to Euro 289,666 thousand as at December 31, 2008, or Euro 12,654 thousand more than the year before. Group net financial indebtedness as at December 31, 2008 was Euro 43,598 thousand positive (December 31, 2007: Euro 114,761 thousand), mainly as a result of trimmed cash and cash equivalents.

			All amount	s in Euro/'000
		2008	2007	Change
	Banks	(423)	(1,215)	792
	Parent companies	0	0	0
	Other financers	(2,102)	(2,044)	(58)
А	Current liabilities	(2,525)	(3,259)	734
	Banks	(304)	(419)	115
	Parent companies	0	0	0
	Other financers	(10,147)	(12,249)	2,102)
В	Non-current liabilities	(10,451)	(12,668)	2,217)
С	Financial receivables	0	0	0
D	Financial assets not representing fixed assets	1,364	4,006	(2,642)
	Bank deposits	54,900	126,466	(71,566)
	Cash and valuables on hand	310	216	94
Е	Available funds	55,210	126,682	(71,472)
G	NET FINANCIAL INDEBTEDNESS	43,598	114,761	(71,163)
* including	intragroup cash–pooling account.			

Presented below on a summary basis is the route followed by cash flow starting from cash and cash equivalents at January 1, 2008, less change in current bank borrowings (consolidated cash flow statement can be found at the foot of the Notes):

- cash flow from operations was Euro 86,503 thousand positive in amount;
- cash flow from working capital was Euro 21,523 thousand negative in amount;
- cash flow from investing activities was Euro 33,786 thousand negative in amount;
- cash flow from financial assets, less financial assets not representing fixed assets and other financer payables, was Euro 117,401 thousand negative in amount:
- effect of leaseback financing repaid in the amount of Euro 2,044 thousand;
- change in cumulative translation adjustment reserve was Euro $5{,}959$ thousand positive.

MEASURING PARENT COMPANY PERFORMANCE

Over the last twelve months, the overall shape of Zambon Company's balance sheet continued to place in evidence a solid financial base correlated to the positive business results delivered. Looking at fixed assets, investments in subsidiaries as at December 31, 2008 amount to Euro 61,623 thousand (December 31, 2007: Euro 61,912 thousand). By way of attendant consequence of profit for the year and dividend payout, equity as at December 31, 2008 was Euro 174,944 thousand (December 31, 2007: Euro 157,244 thousand), or Euro 17,700 thousand more than the year before. Available funds stepped back from Euro 92,158 thousand as at December 31, 2007 to Euro 26,482 thousand as at December 31, 2008 primarily by way of reflection of profit for the year, treasury shares purchased and dividend payout. Turning to look financial performance, net income for the year stepped back from Euro 110,393 thousand as at December 31, 2007 to Euro 69,177 thousand as at December 31, 2008 reflecting the effects of minor dividend payouts by the Italian companies. In a nutshell:

All amounts in Euro/00					
INCOME STATEMENT GROUPING 2008 2007 Chang					
А	Finance income/(expenses), Net of which income from investments	76,078 75,398	117,957 117,667	(41,879) (42,269)	
В	Adj. to the value of financial assets	(2,494)	(3,168)	674	
С	Difference between the value of production and production costs	(2,525) (4,404)	(3,259) (3,879)	734 (525)	
D	Extraordinary income/(expenses), Net	0	0	0	
Е	Taxation	3	517	(514)	
F	Net result	69,177	110,393	(41,2164)	

Financial income, Net, amounts to Euro 76,078 thousand, reflecting a fallback from the year before (FY07: Euro 117,957 thousand).

Taxation came to an amount totaling Euro 3 thousand (FY07: Euro 517

thousand). Employees as at December 31, 2008 equated 20 full-time equivalents (December 31, 2007: 18 full-time equivalents).

Business sectors

The purpose of this section of the Directors' Report is to provide information and details about the business sectors in which the Group operates.

ECONOMIC BACKDROP

Looking at the macroeconomic environment in Italy, 2008 will be remembered for the 1.0% fallback in GDP (Gross Domestic Product), plunging from the growth rate honed in 2007 (+1.6%), and clearly below consensus expectation (-0.6%). Hostage to evaporating demand across the global economic landscape and no respite from the hostile uncharted economic territory that replicated around major industrialized countries (financial crisis and credit crunch), the backdrop of deteriorating macroeconomic fundamentals was unlikely to abate. Working toward the fallback in GDP was internal demand, mired by evaporating consumer confidence and pared capital expenditure, with exports gaining marginal headway; the trade balance delivered a Euro 11,474 million deficit (Euro 9.447 million deficit in 2007) by way of attendant consequence of +2.0% exports and +2.5% imports (clearly on the increase, the negative balance of the energy bill at Euro 64,340 million, as compared to Euro 50,709 million in 2007). On average in 2008, the rate of inflation was 3.3%, or 1.5 percentage points more than the year before. Over the last twelve months, inflation accelerated from onset into the fast growth track (4.4%), driven through by a deluge of crude and oil price rises, coming to an abrupt slowdown (2.8%) in 3Q2008 as fears of economic depression intensified and the global financial crisis sharpened its grip. Consensus expectation for 2009 is geared toward a decelerating rate of inflation (0.9%) as a direct or indirect result of the plunge in crude and oil price quotations. Looking at the interest rate market, the European Central Bank slashed over the course of 2008 the bank rate of interest – in place of the bank rate of discount (BRD) – from 4.00% al 2.50%. The unemployment rate rose to 6.7% from 6.1% in 2007. The primary balance (indebtedness, less interest expense) was positive or, when taken as a percentage of GDP, 2.5% (3,5% in 2007) whilst, based on the latest estimates available, the ratio of public debt to GDP clearly deteriorated, hiking 105.8% (103.5% in 2007). Taken as a whole, the fiscal drag (direct and indirect taxation, capital tax and provident or social security contributions) declined to account for 42.8% of GDP (43.1% in 2007) with higher direct taxation (+3.5%) and effective social security contributions (+4.7%) set off by lower indirect taxation.

The purpose of this section of the Directors' Report is to provide a balanced and comprehensive analysis, including the key business factors and trends, of the financial performance of the Group during 2008.

Zambon S.p.A. and its subsidiaries

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			All amounts i	n Euro/'000
		2008	2007	Change
А	Value of production	461,308	448,839	12,469
В	Operating costs	248,289	235,444	12,845
C=A-B	ADDED VALUE	213,019	213,395	(376)
D	Cost of labor	97,962	94,099	3,863
E=C-D	EBIDTA	115,057	119,296	(4,239)
F	Depreciation, write-downs and other provisions	14,036	13,817	219
G=E-F	OPERATING RESULT	101,021	105,479	(4,458)
Н	Finance income, Net, and adj. to the value of financial assets	81	5,752	(5,671)
I=G+H	RESULT BEFORE EXTR. ITEMS	101,102	111,231	(10,129)
L	Extraordinary income, Net	3,950	0	3,950
M=I+L	RESULT BEFORE TAXATION	105,052	111,231	(6,179)
N	Taxation	30,402	31,728	(1,326)
0	Minority interest in net income	96	137	(41)
M=M-N-0	NET INCOME	74,554	79,366	(4,812)

Delivered by Zambon S.p.A. Group for the year ended December 31, 2008 was consolidated net income in the amount of Euro 74,554 thousand, or Euro 4,812 thousand less than the year before. The result before extraordinary items hiked Euro 101,102 thousand (or 21.9% when taken as a percentage of the value of production), as compared to Euro 111,231 thousand in 2007, working toward which was financial income, net, and adjustments to the value of financial assets in the amount Euro 81 thousand and extraordinary income in the amount of Euro 3,950 thousand and, not least, operating income in the amount of Euro 101,021 thousand. The pre-tax result and minority interest was Euro 105,052 thousand positive. After taxation in the amount of Euro 30,402 thousand and minority interest in net income in the amount of Euro 96 thousand, the net result delivered by the Group was Euro 74,554 thousand positive. Consolidated equity as at December 31, 2008 was Euro 217,154 thousand. Consolidated net financial position was Euro 136,299 thousand positive. As at

December 31, 2008, Zambon S.p.A. and its Subsidiaries employed 1,884 people (December 31, 2007: 1,793 people). Delivered by the parent Zambon S.p.A. for the year ended December 31, 2008 was net income in the amount of Euro 74,928 and equity of Euro 101,062 thousand, in respect of which recommendation shall be made at the Annual General Meeting to distribute a dividend in the amount of Euro 74,917,408,80.

PHARMACEUTICAL BACKDROP

In 2008, although the financial crisis continued to sharpen throughout the fourth quarter of the year, the pharmaceutical market continued to grow in the range of 5%. The underlying cause and reason thereof are myriad in nature:

- (i) the pharmaceutical sector is a sector based substantially upon reimbursable products;
- (ii) the average age of the population is longer;
- (iii) longer-life expectation are leading to increased incidence of chronic diseases, such as Diabetes, Alzheimer and specific forms of cancer, which require long-term management;
- (iv) growing demand for preventive medicines, such as Cardiovascular (CV) medicines that reduce by one-third the risk of heart attack, and vaccines are in full development.

Pharmaceutical market global growth substantially confirms trending:

- (i) two-digit growth (+13%) in Emerging Economies (China, Brazil, India, Russia, Mexico, South Korea and Turkey), where surging healthcare demand offsets temporarily dampened out-of-pocket purchasing of medicines;
- (ii) enhanced guiding role of specialist prescription medicines;
- (iii) new market players having the capability to influence consumers and pharmaceutical spending (distributors, pharmacists, government agencies, associations, and patients);
- (iv) trimmed new launches (on average, 30 fine chemical entities p.a. as compared to 57 a decade ago);
- $\left(v\right)$ increased number of pharmaceuticals with patents nearing maturity date; and
- $\left(vi\right)$ cost-containment measures through spending cuts and prescription controls.

In Western Europe, the pharmaceutical market gained 4% headway driven through by trimmed average price resulting from off-patent molecule replacement. For the most part, Europe was characterized by inconsistent regulatory environment: in Italy, disparate regional structures not coordinated diversified the consumption of certain categories of medicines; in Spain, the increasingly decentralized health system heightens autonomous regional politics and, in consequence, differentiated medical prescription measures, whilst recently set up in France were decentralized Regional Health Agencies (RHA). The fundamentals of the pharmaceuticals market remain robust, providing the industry with broad potential for driving business growth. Nevertheless, as with any industry, alongside the opportunities, this inconsistent and rapidly changing regulatory environment also presents a number of challenges. The more successful pharmaceutical companies will be those that recognize and manage those challenges appropriate and effectively creating new business models and recognizing the pressure placed on the industry to deliver more with less. Rising to the forefront with such a dynamic backdrop are those mid-sized pharmaceutical companies with winning-card business models. Looking at Italy, France and Spain (Zambon key markets), the mid-sized pharmaceutical companies have captured market shares across the market spectrum and, moreover, frequently in the promising reimbursable ethical medicines business sector.

Zambon Pharmaceutical Business

In 2008, revenues were delivered in the amount of Euro 447,571 thousand, or +1.4% more than the year before. Revenue growth was driven by consistent development in emerging nations, such as Russia +41% and Brazil +18%, whilst reflecting a more relaxed tone was development in mature markets. Without taking into account the effects of changing the business model for the German market (with subsidiary shut-down and resultant distribution and license agreement) or the impact arising on disposal of the Generics business, both of which put in place part way 2007, organic growth hiked +4.8%. Broadly offsetting the unrelenting pressure on prices, particularly in mature markets such as, for example, in Spain down some Euro 1,200 thousand, was bold volume growth in emerging nations such as Russia and Brazil. Reflecting year-on-year 1% growth, Toll Manufacturing hiked aggregate turnover in the amount of Euro 26,000 thousand. Also working toward year-on-year growth for an amount total-

ing Euro 5,200 thousand were new product launches, heralded by the launch in Italy of the Giasion product (License In) and the Pontalsic product (License In) launched in Spain in the course of 4O2008. Worthy of mention among existent product line extensions is Spedifen 400mg launched in France. Italy, which continues to be the key market for Zambon S.p.A, delivered turnover in the amount of Euro 115,202 thousand, in line with the prior year, notwithstanding the limited availability of one of the key product in the respiratory area in second-half 2008, as offset, however, by the bolt-on performance hiked by the other products. Spain, on the other hand, which continues to be the second key market for the Group, delivered turnover in the amount of Euro 94,092 thousand, or 3% less than the year before mainly as a result of ground lost in the pain-relief and respiratory sector. France delivered 1.5% growth, reflecting positive performance both in the pain-relief sector and in the WOMAN'S Healthcare sector. Negative, on the other hand, the performance tracked by the Export France Division, dedicated to sales and distribution in North African countries, down -9%, due to contractual and distribution adversities. Belgium hiked 3.2% growth, delivering revenues in the amount of Euro 23,209 thousand, whilst the Netherlands honed +9.5% revenue growth stretching out to reach Euro 13,500 thousand. Also robust the 10.8% revenue growth hiked in Portugal, which delivered revenues in amount totaling Euro 6,900 thousand. Brazil confirmed its emerging leadership position with 20% year-on-year revenue growth culminating into + Euro 6,200 thousand. Also consistent was the revenue growth honed by the Confederation of Independent States - CIS (+41%), notwithstanding the consistent slowdown reported in 4Q2008, with the Rouble currency depreciation. Not positive on the other hand was the revenue trending followed in China (-8.8% mainly driven through by the fallback staged by one product and Colombia (-7% adverse market situations). Distributorrelated business confirms robust growth for the East Europe market, with +26% year-on-year revenue growth, whilst year-on-year revenue growth delivered by Latin American and Far East distributors hiked +14% and +64%, respectively. On the other hand, revenue growth delivered by Middle East Europe distributors retreated -5% insofar as flattened by changed commercial policy.

Key Product Performance

The therapy area working more significantly to revenue growth in 2008 was the Pain-Relief area (+Euro 6,200 thousand, or 9% more than 2007)

compounding acceleration in the Italian and French market, immediately followed by the WOMAN'S Healthcare area (+Euro 4,700 thousand) and by the Respiratory area (+Euro 2,400 thousand). Worthy of mention in the Pain-Relief area is the performance of excellence tracked by Spedifen in Italy (with launch on the medical class as from December 2007) and, in France, enduring Spifen (Rx line) growth in terms of volume (whilst, in terms of value, prices were cut 22%) and Spedifen 400mg OTC launch (first 400mg OTC on the market) in January 2008 with TV campaign onset December 2008, thereby culminating into year-on-year 110% OTC business growth. Also positive the contribution waged by Brazil (+54%) and Belgium (+17%) thus confirming the trademark's outstanding potential at the international level. Stumbling, on the other hand, was Spain, where price cuts and unrelenting pressure placed on generics continued to erode Spedifen (-4%) and Hespercorbin (-39%), whilst mention is made to the exceptional performance honed by Durolane (+26%) and the year-end launch of Pontalsic (combination of tramadol and paracetamol acquired under license from Gruenenthal in September 2008). Looking at the WOMAN'S Healthcare area, Monuril continued to hone growth across the marketplace and, more pointedly, in Russia (+72%), in France (+15%) as a result of being awarded 'first line treatment' status, in Spain (+12%) as a result of multi-target synergy, and in Brazil (+30%) as a result of product repositioning on primary care physicians. The performance of excellence hiked by Monuril broadly offsets the fallback staged by certain local gynecological products. Harshly affecting the performance tracked throughout 2008 by portfolio Respiratory products were production adversities arising in respect of Fluimucil Antibiotic (-Euro 4,600 thousand) as offset by the growth hiked by Fluimucil (+6% from 2007), Rinofluimucil (+9% from 2007) and Giasion launch in Italy. The primary driver underscoring the pleasing performance tracked by Fluimucil was Russia (+106%) and Italy (+4%), followed by China (+41%) and Brazil (+7%). In the winter season 2007-2008, characterized by a not particularly virulent pathology, the roll-out of an all-new global television advertising campaign across target market audiences also worked toward defending OTC market shares in those countries where the pressure posed on prices and genetics is more severe. The primary driver underscoring Rinofluimucil growth was Russia (+51%) as a result of TV and billboard advertising campaigns focused on key metropolitan areas, whilst a marginal fallback was denoted in Italy and France as a result of the pediatric indication lost in Italy and modest pathology in France. Offsetting, in the anti-cough segment, a marginal fallback in mature markets due to modest pathology, was Seki pleasing growth captured across Brazil as a result of prime competitor withdrawing from the market. Of note, among the products not

encompassed within the categories referred to above, mention is made to the pleasing performance hiked by Ursachol at the international level (+9%) primarily in The Netherlands (+20%) and Brazil (+16%). Among the local products held under license, mention is made to the performance of excellence honed by Lercanidipina (Recordati license) in Belgium (+23%) and in The Netherlands (+23%). Also pleasing the performance honed by Codex in Italy (+7%) also as a result of the new 20-dose presentation launch and product repositioning in the Irritable Bowel Syndrome. Also worthy of mention is the significant fallback staged by Meibida in China (-18%) due to relative promotional support across the territory.

Pharmaceutical Sector Research and Development

In the course of April 2008, Innovation & Medical Sciences was reshaped entirely in a strategic design to agglomerate all the functions involved and committed to defending product market foothold, carrying forward line extensions, and creating and developing a new pipeline of products for the future portfolio in line with Zambon strategies and vision into value. Developed in parallel was a string of activities geared toward defining processes, reporting tools and project management and, not least, defining measurement criteria and scouting new opportunities. As a result of this new organization, evaluated over the last twelve months were more than 70 opportunities for innovation evenly balanced across three categories of interest for Zambon (respiratory, pain-relief and WOMAN'S healthcare) and diversified product typologies (from ethical to medical devices to food supplements). The more significant business areas characterizing the review period are the following:

- (i) raising the bar of corporate brand active ingredients: Fluimucil antibiotic and phosphormicin. Performed on those two products were feasibility studies leading to positive results supporting the decision to carry forward the activities;
- (ii) Life cycle management: developed and reaching completion were new ibuprofen arginine and N-acctylcysteine formulations and feasibility studies relating to the development of new ibuprofen arginine formulations dedicated to curing adult and, primarily, pediatric "Cough & Colds";
- (iii) putting in place the biobaliptol production-to-production method in the site at Vicenza;
- (iv) new due diligence audits have been conducted and the corresponding

business plans have been developed defining and developing the clinical development programs for differing products in the Pain-Relief and Respiratory areas, with related operational start-up scheduled for the year immediately ahead;

(v) defining an ibuprofen argentine-related medical affairs program in respect of which the first two clinical studies envisaged have reached completion.

Furthermore, within the Zambon organization, Licensing & Business Development represents the mainmast for driving the pace of innovation and development, with a key role in increasing the prospects of short to medium-term growth, strengthening the pipeline and enhancing the product offerings embedded in the portfolio of the Group's three strategic areas of the Group and, more pointedly, Respiratory, Pain-Relief and WOMAN'S Healthcare. Over the last twelve months, Licensing & Business Development has carried forward research into synergetic and innovative products, with a keen eye steered toward building up geographic reach across the European market, without detriment to opportunities taking shape in emerging countries. Within the framework of the Group's three strategic areas, the more significant activities carried out during the year are presented on a summary basis below:

Respiratory area

Representing an important area of focus for Zambon, this is where different licensing projects are currently under evaluation and negotiation, with a view to completing the portfolio with the therapies of an important segment such as chronic upper respiratory tract disease caused by seasonal allergies. In France, for example, a supply and licensing agreement has been sealed in respect of the beclomethasone nasal spray, launched in May 2009, with pressurized metered-dose indicator and indicated for the treatment of allergic rhinitis (hay fever) and perennial rhinitis. Zambon is already present in this market, particularly in the segment of non-allergic nasosinusitis with Rhinofluimucil, Zambon will undoubtedly enhance its leadership in the nasal spray market as a result of this new agreement. Looking at Zambon novel approaches to the "Cough & Colds" pharmacy market, seeing development, at the international level, was a new line of non-pharmaceutical products for pediatric use encompassing recently patented products and innovative devices covered by license at the global level. The purpose of this new line is to represent a flagship solution in pharmacy for pediatric respiratory symptoms, with clear focus posed on compliance.

Pain-Relief area

Looking at the Pain-Relief area, Zambon took part during the year in a licensing agreement in respect of an analgesic containing tramadol and paracetamol, the underlying purpose of which is to commercialize the product in Spain and lengthen the related extension-line thereof. As recognized leader in the field of analgesics across the Spanish market with Espidifen, this would enable Zambon to strengthen its portfolio operational management and, not least, to offer a further option for pain control, whether moderate or severe. In Brazil, on the other hand, the portfolio of the Pain-Relief area has been broadened by a new license for a new tramadol-based product, for which extensive data reviewing the safety and efficacy of this product exist, combined with a more evolved formulation.

WOMAN'S Healthcare area

Looking at the WOMAN'S Healthcare area, Zambon Switzerland strengthened during the year its competitive ranking in cystitis therapy, attaining a license for an innovative diagnostic instrument, the purpose of which is to identify infections (other than complicated infections) in the urinary tract.

ZaCh System S.p.A. and its Subsidiaries

			All amounts in Euro/'00		
		2008	2007	Change	
А	Value of production	145,116	106,718	38,398	
В	Operating costs	105,614	73,830	31,784	
C=A-B	ADDED VALUE	39,502	32,888	6,614	
D	Cost of labor	36,853	16,726	20,127	
E=C-D	EBITDA	2,649	16,162	(13,513)	
F	Depreciation, write-downs and other provisions	11,684	9,083	2,601	
G=E-F	OPERATING RESULT	(9,035)	7,079	(16,114)	
Н	Finance expenses, Net, and adj. to value of financial assets	(3,350)	(1,813)	(1,537)	
I=G+H	RESULT BEFORE EXTR. ITEMS	(12,385)	5,266	(17,651)	
L	Extraordinary income, Net	316	0	316	
M=I+L	RESULT BEFORE TAXATION	(12,069)	5,266	(17,335)	
N	Taxation	(1,837)	3,098	(4,935)	
0=M-N	NET RESULT	(10,232)	2,168	(12,400)	

Delivered by ZaCh System S.p.A. (sub-holding for the fine chemicals business) for the year ended December 31, 2008 was a consolidated loss in the amount of Euro 10,232 thousand (December 31, 2007: consolidated net income in the amount of Euro 2,168 thousand); primarily explaining the movement for the year were current market conditions, adjustments to the value of investments and interest expense. The consolidated value of production was Euro 145,116 thousand. The operating result, before finance income/(expenses), extraordinary income/(expenses) and tax-driven items, was Euro 9,035 thousand negative. The result before taxation was Euro 12,069 thousand negative, working toward which were finance expenses, net, and adjustments to the value of financial assets (investments) in the amount of Euro 3,350 thousand and extraordinary income in the amount of Euro 316 thousand and, not least, the operating result. The consolidated net result was Euro 10,232 thousand negative, whilst the taxation element was Euro 1,837 thousand positive (December 31, 2007: Euro 3,098 thousand negative) owing mainly to greater deferred tax assets. Consolidated equity as at December 31, 2008 was Euro 18,978 thousand. Consolidated net financial position was Euro 83,449 thousand negative. As at December 31, 2008, ZaCh System S.p.A. and its Subsidiaries employed 592 people. The parent ZaCh System S.p.A. ends the year to December 31, 2008 reporting a net loss of Euro 10,040 thousand (December 31, 2007: net income of Euro 2,096 thousand); mainly explaining the movement for the year was the fallback in turnover, the write-down of

investments and interest expense. Equity was Euro 19,010 thousand and recommendation shall be made at the Annual General Meeting to carry forward the loss for the year.

FINE CHEMICALS BACKDROP

In 2008, the pharmaceutical market honed 5% global growth, albeit at a differing pace of growth in terms of Emerging Economies (+13%), Europe (first 5 Countries +4%) and the USA (+2%) and, by way of attendant consequence, evaporating growth for the fine chemicals companies - with sales hiked primarily in the western part of the world. The pharmaceutical market stretched out to reach US\$ 780 billion in 2008, US\$ 78 billion of which relates to active medicinal principals only, at least half of which relate to productions destined for leading pharmaceutical companies. The level of innovation was extremely flat with less than 20 new molecules approved by the Food and Drug Administration (FDA) in 2008, most of which Biotech. Analysts estimate that only 10 of the products approved by the FDA in 2008 and 2009 will obtain blockbuster status (medicines with annual sales beyond US\$ 1 billion). The one and only segment reporting two-digit growth was the oncology area, which should maintain this supremacy also in the future, insofar as having 121 potential treatments at an advanced stage of development. Leading pharmaceutical companies continue to revisit their business models, which should set the pace for mergers and acquisitions (with Pfizer – Wyeth, Merck-Schering Plough being the more recent) and, not least, for a more akin frontier between generic manufacturers and research-based organizations, as well as greater focus posed emerging markets. According to estimates, 39% of the turnover of the top 20 pharmaceutical companies will be challengedprincipally in price - by generic pharmaceuticals from 2008 to 2012. The generics industry stretched out to reach US\$ 112 billion in 2008 and continues to be extremely dynamic in terms of volumes, with one-third of additional volumes captured over the last five years. However, the price erosion mechanism enabled, in terms of value, only 3% growth in 2008. For the western part of the world, this 3% growth in terms of value is extremely heterogeneous with, on the one hand, the USA and the United

Kingdom reflecting despondent growth and, on the other, other countries like France, Germany, Italy and Spain reflecting growth rates between 8% and 17%. The global financial crisis is beginning to have a significant impact in the pharmaceutical market, notwithstanding its non-cyclic nature. Insofar as having to contend with financial difficulties, many small-sized biotech organizations, especially in the USA, have abandoned or deferred countless development projects. According to estimates, 120 of the 320 U.S. biotech start-ups have the liquid funds necessary to continue for six months as a going-concern. Additionally, an impressive number of States and, in particular, the American Government, are continually exerting downward pressure on prices, and the U.S. government new policies represent a threat for the traditional pharmaceutical market. Against this background - not certainly optimal - the Fine Chemicals sector is battling against the void left by those new projects abandoned or deferred: aggressively competitive prices evolve even more dramatically, especially for the European companies in the midst of a punitive Euro.

Zambon Fine Chemicals business

The turnover delivered by ZaCh System S.p.A. for the year ended December 31, 2008 confirms the generics, synthesis and captive business-by-business breakdown, where custom-honed growth confirms a precise strategic thrust with genetics reflecting a like-for-like decrease in terms of percentage, and captive gaining notable headway in terms of percentage. Of note, a number of our products have suffered significantly in 2008 by way of reflection of the stock-level downsizing policy adopted by some of our key customers. Turning to the analysis by business area, attention is drawn to the following:

Generics Area

Looking at the individual projects, generic key product sales stepped back 12% in terms of volume from forecasting, despite new customer entry. Along with decidedly trimmed market prices, driving through the fallback in sales was the decision taken by one customer to make greater use of its own captive production. 2008 was a very important year for N-acetil-cysteine with volumes moving ahead of forecasting and higher market prices, mainly driven through by the upward route followed by raw materials acquired from China. Remaining substantially unchanged, notwithstanding increased competition from Asia, were sales of consolidated products such as Sulindac, Diltazem and Nifedipine, whilst taken to market were new APIs (Active Pharmaceutical Ingredients) recently developed.

Custom Area

An intermediate synthesis product towered Euro 13,000 thousand of turnover as a result of vibrant market demand. Although pertaining to a product class under particular observation, capping its sales target was one active medicinal principal produced on an exclusive basis for the global market under originator commission. Other products have maintained their positions in terms of volume and value, even though nearing patent maturity date, even though nearing patent maturity date. Conversely, reflecting declining sales were certain intermediate active medicinal principals subject to tight restrictions by the health authorities.

Captive Area

Confirmed the performance of excellence blazer by acetilcysteine produced for internal use and the stance taken by fosfomycin tromethamol. Zambon Company S.p.A. will finance the losses reported by ZaCh System S.p.A. for 2008.

Fine Chemicals Research and Development

Research and development proceeded without relent throughout 2008, whether on the generics or custom front. Evaluated in the Custom area were 54 new requests from customers. Of these, 41 have been accepted by our selection committee and 17 projects entered into the laboratory stage, whilst the remainder are still under discussion with respective customers. Our strategic relations have been carried forward with leading pharmaceutical companies such as Merck, GlaxoSmithKline, Pfizer, Takeda and AstraZeneca in a strategic intent to capture major contract work. Numerous contacts have been established with firms such as, just to name a few, Eli Lilly, Eisai, UCB, Abbot and Gilead, in a strategic design to discuss and negotiate new, potential projects. In addition thereto, a great number of contacts and negotiations have been successfully put in place with biotech start-ups such as, for example, Exelixis, Oxagen, Holis, Neurosearch, Acadia, Intetmune, and Osteologics. In the Generics area, certain products have started to be developed, whilst work continues to attain the best process for two molecules.

On the technological front, the following strategic priorities have been identified in a design to enhance our technological offering to the market-

place and, not least, to sharpen our competitive-edge:

- 1) to focus intensification in the process by using micro-reactors and continuous processes of primary importance for certain chemical reactions such as Ozonolysis (a new technology developed by ZaCh System) or Hoffmann (the chemical synthesis of Gabapentin);
- 2) to examine the use of Photobromination to develop bolt-on productivity and enhanced safety;
- 3) to initiate with Graz University in Austria an important study into biocatalysis, an instrument complementary to our actual set of chiral instrumentation.

Zambon Group S.p.A

	All amounts in Euro/'000		
Financial Highlights	2008	2007	
Value of production	9,338	24,919	
Operating result	515	1,410	
Net result for the year	187	(166)	
Capital investment	3,426	176	
Employees (at year-end)	45	44	

Equity as at December 31, 2008 was Euro 1,235 thousand (December 31, 2007: Euro 1,048 thousand), curving upward as a result of net income for the year. The net result for the year was Euro 187 thousand positive (December 31, 2007: Euro 166 thousand loss) was driven through by a combination of positive items of income in the amount of Euro 515 thousand, extraordinary income in the amount of Euro 113 thousand, and tax expense in the amount of Euro 441 thousand. Capital investment, amounting to Euro 3,426 thousand, mainly relates to the executive project involving the creation of a new computer-system platform scheduled to reach completion by end 2009. Over the last twelve months, the Company provided administrative and computer-system services to Group companies, and which, in the foreseeable future, shall be provided to unrelated companies as well; although performed on a residual basis, the Company carried forward the sale of specialty medicines in the CIS region (Russia); also stepping ahead was site clean-up of the former Zambon production site at Vicenza (Via Cappuccini). As at December 31, 2008, the Company employed 45 people. As called to approve the Annual Report & Accounts, the Annual General Meeting of Zambon Group S.p.A. passed resolution approving the motion to carry forward the result reported for the year.

Zambon Immobiliare S.p.A

	All amounts in Euro/'000	
Financial Highlights	2008 200	
Value of production	7,651	7,544
Operating Result	(1,505)	(435)
Net result for the year	(1,274)	(843)
Capital investment	912	1,681
Employees (at year-end)	9	7

Equity as at December 31, 2008 was Euro 12,659 thousand (December 31, 2007: Euro 13,933 thousand), curving downward as a result of the loss for the year. The Euro 1,274 thousand loss for the year (FY07: Euro 843 thousand loss) was driven through by a combination of increased lease rentals, greater service costs, particularly energy utilities and maintenance service costs, and minor tax expense. The result from ordinary activities ends the year reflecting a loss of Euro 1,505 thousand (FY07: loss of Euro 435 thousand), and finance income, net, in the amount of Euro 630 thousand reflecting a downturn from the year before (Euro 726 thousand). The tax element was Euro 231 thousand positive as a result of greater deferred tax assets (FY07: Euro 408 thousand). Seeing onset in 2008 was implementation of the Integrated Work Program sealed with the Municipality of Bresso, by virtue of which your Company gained the possibility to extend significantly the destination, residential or otherwise, of the proprietary land that can be built upon, for office premises or scientific research purposes. On the operational management front, the Company continued to carry out works on the actual site, whether on areas occupied by Zambon Group companies or on common areas; also restructured and renovated was an industrial shed for the industrial "Zambon Museum", and some parts of the building have been turned into convention halls and meeting venues. As at December 31, 2008, the Company employed 9 people (December 31, 2007: 7 people). As called to approve the Annual Report & Accounts, the Annual General Meeting of the Company passed resolution approving the motion to carry forward the loss for the year.

Z-Cube S.r.l.

On December 15, 2008, the General Meeting passed resolution approving the motion to amend the corporate object of the company to include the authority:

- to hold interests in companies and provide financing, other than to the public, in connection with or otherwise useful for the financial, adminis-

trative or technical coordination of the investees;

 to research into pharmaceutical products, technologies and molecules, in connection with or otherwise useful for promoting initiatives arising from or relating to base research and the provision of scientific research services.

Reaching completion over the last twelve was the valuation process focused around defining the areas of activities and modalities under which Z-Cube S.r.l. can work toward driving the growth and development of the pharmaceutical business pursued by the Zambon Group. The Company focused on research into drug delivery technologies in the embryonal stage of development at university centers at the international level. The underlying purpose thereof was to identify and develop new technologies that would result in creating synergic products with the portfolio of the Zambon Group. Also, the Company continued to operate, manage and support the investments acquired over the course of the years. The loss reported for the year came to Euro 1,453 thousand (FY07: Euro 2,622 thousand), reflecting a year-on-year decrease mainly due to minor provisions. Equity as at December 31, 2008 was Euro 2,334 thousand. As called to approve the Annual Report & Accounts, the Annual General Meeting passed resolution approving the motion to use the reserve for capital contributions to finance the loss.

Zafin S.A. (placed in liquidation)

The activities of the Company are represented by short-term investments on the monetary market. As at December 31, 2008, the equity of the Company, a directly held subsidiary, was Euro 999 thousand (December 31, 2007: Euro 976 thousand). No dividends were distributed by the Company during the year. Liquid funds, amounting to Euro 842 thousand, are invested in short-term monetary instruments with yield rates in line with the Euromarket. The result reported for the year reflects net income in the amount of Euro 23 thousand, an improvement from the year before (FY07: Euro 34 thousand loss).

Dolphin S.p.A

As part of the programmed reshaping and streamlining of the investments of the Group to which the Company is member, the General Meeting passed resolution, on November 13, 2008, approving the motion:

- (i) to change the Company from a limited liability company into a joint-stock company;
- (ii) to raise share capital through the investment in DOC Generici S.r.l. contributed by Zambon Company S.p.A.;
- (iii) to amend the corporate object. In consequence, the Company's are: to carry out on an exclusive basis activities financial in nature; to hold interests in companies and entities; to provide financing; to conduct currency intermediation; to collect, pay and transfer funds, and; to ensure the financial, administrative and technical coordination of the investees or other entities pertaining to Zambon Company Group.

At the consolidated balance sheet date, the Company held the following investments acquired over the course of 2008:

- (i) Zafin Finance Ireland Limited: held wholly (100%), with registered office in Dublin (Clanwilliam 20 Terrance) and share capital at acquisition date in the amount of Euro 100,000;
- (ii) Doc Generici S.r.l.: held 33.33%, the investee was contributed to Dolphin S.p.A. by Zambon Company S.p.A. The investee engages in the commercialization of pharmaceutical generics and, in 2008, reported sales revenue in the amount of Euro 59,177 thousand (FY07: Euro 53,473 thousand). The duly approved financial statements for the year ended December 31, 2008 shown net income and equity in the amount of Euro 8,221 thousand and Euro 29,050 thousand, respectively. On May 4, 2009, the General Meeting of Doc Generici S.r.l. passed resolution approving distributions of profits in the amount Euro 4,200 thousand (Euro 1,400 thousand the quota of competence) to stakeholders by way FY08 dividend and to carry forward the profits remaining.

As called to approve the Annual Report & Accounts, the Annual General Meeting passed resolution approving the motion to finance the Euro 22 thousand loss for the year along with accumulated deficit in the amount of Euro 3 thousand using, in the amount of Euro 25 thousand, the reserve for financing losses.

HOLDING ACTIVITIES

Management and coordination of the investees is conducted by the Company through its managerial framework. Coordination includes consideration and discussion of the nature and level of its interaction on a continuing basis with the officers in charge of the individual businesses, whether by direct contacts or in conjunction with the Pharma Committee and the Fine Chemicals Committee. Also having full accountability for their work and operation are the Committees established by the Company, whether those Committees having consultative remit and role in terms of Compensation/Organization, Governance/Internal Audit & Finance-Financial Statements/M&A, or the Coordination Committee, the remit and role of which is to coordinate the overall performance of the investees and to make proposals and recommendations in respect of transversal matters and significant business issues. The managerial framework also worked on specific issues, the more significant of which are summarized below:

- (i) ORGANIZATION & STRATEGIC DEVELOPMENT: continuing to be carried forward was definition of the strategic planning process identifying certain priority areas including therein the reshaping of innovation processes.
- (ii) CORPORATE GOVERNANCE & INTERNAL CONTROL: as regularly assessed for improvement and implementation, the system of Corporate Governance adopted has been more deeply embedded in the Group. Introduced by way of addition to the Boards of Directors and the Committees established are Oversight Boards designated as part of the Best Practice Model adopted in application of Decree-Law 231/2001 for the five Italian companies of the Group. On the internal audit front, an increased number of internal audits have been performed both in Italy and abroad. (iii) FINANCE & M&A: launched over the last twelve months was the project involving the creation of a new IT and computer-system platform. Having elected the SAP application, the initial stage of realization saw onset. This represents a strategic priority for the Group, with the new IT and

computer-system platform scheduled to enter into service in second-half 2009 for the Italian and Swiss companies and, successively, for all the other

companies of the Group.

INTRAGROUP AND RELATED PARTY TRANSACTIONS

As far as transactions with subsidiaries and parent companies are concerned, these relate essentially to the following:

- provision of tax-related services, corporate secretarial services, maintained implementation of the Best Practice Model pursuant to Decree-Law 231/2001, support to the Oversight Board, and communication;
- provision of services relating to the development of business projects;
- provision of services received in relation to administrative matters, payroll, treasury, administration, IT services, general services, legal counsel, and contractual support;
- cost of relocating the administrative and registered office at Bresso;
- intragroup cash pooling and financing;
- national tax consolidation program and Group VAT;
- purchase of treasury shares.

In respect of the foregoing, the interest of Zambon Company S.p.A. and relevant counterparts relates to the quality, efficacy and effectiveness of the services rendered, all of which resulting from specific awareness of the activity pursued by the Group. Intragroup transactions are conducted at fair value based on market conditions taking into account the quality and specificity of the services rendered.

				All amounts in Euro/'000	
Company		Revenues	Expenses	Financial income	Financial expenses
Parent Company					
Gefim S.r.l.	Italy	94			
Total		94			
Directly-held subsidi	aries				
ZaCh System S.p.A.	Italy	(361)		(3,703)	
Zambon Group S.p.A.	Italy	(561)	184		177
Zambon S.p.A.	Italy	(972)	7		5,726
ZetaCube S.r.l.	Italy	[33]	2	(5)	12
Zambon Immob. S.p.A.	Italy	126	120		390
Zambon Italia S.r.l.	Italy	(493)			
Dolphin	Italy		24		
Total		(2,294)	337	(3,708)	6,305
Associates					
Zeta4 R.E. S.r.l.	Italy	64			
Total		64			
Aggregate		(2,136)	337	(3,708)	6,305

					All amounts in Euro/'000			
Company		Trade receiva- bles	Other recei- vables	Other paya- bles	Financial receiva- bles	Financial payables		
Parent company								
Gefim S.r.l.	Italy	0	0	(245)				
Total		0	0	(245)	0	0		
Directly-held subsidi	aries							
Zambon Italia S.r.l.	Italy	2	103	0				
ZaCh System S.p.A.	Italy	142	29	(228)	89,127			
Zambon Group S.p.A.	Italy	207	48	(430)	0	(4,085)		
Zambon S.p.A.	Italy		74,907	(530)		(115,406)		
ZetaCube S.rl.	Italy	33		(3)		(425)		
Zambon Immob. S.p.A.	Italy	84	5	(348)		(9,817)		
Zambon S.A.	Spain			(4)				
Total		468	75,092	(1,570)	89,127	(129,733)		
Aggregate		468	75,092	(1,815)	89,127	(129,733)		

CAPITAL INVESTMENT

Over the last twelve months, capital investment in the amount of Euro 23,277 thousand was ploughed into tangible fixed assets. Capital investment relates to works in certain production workshops in the plant at Vicenza, the completion of work-in-progress, the installation of electronic machinery, research laboratory instrumentation and fixtures, new plant/machinery, and other purchases in progress. Over the last twelve months, capital investment in the amount of Euro 11,221 thousand was ploughed into intangible assets (software property licenses, licenses, patents, trademarks, and certificate accreditations).

HEADCOUNT

As at December 31, 2008, Zambon Company Group employed 2,552 people (December 31, 2007: 2,488 people), or 64 people more than the year before.

Sector	12.31.2008	12.31.2007
Production	905	959
Marketing	1,127	1,032
R&D and Medical Marketing	244	215
G&A	276	282
Total	2,552	2,488

CODE OF ETHICS AND BUSINESS BEST PRACTICE MODEL

Over the last twelve months, the Group adopted a new Code of Ethics and, with the aid of independent experts, mapped the exposure to risk faced by the principal Italian companies and by some foreign operations. Also established by way of attendant consequence thereof – as already put in place for Zambon Italia – was the Best Practice Model pursuant to Decree-Law 231/2001 for the parent Zambon Company S.p.A. and for the companies Zambon S.p.A., ZaCh System S.p.A. and Zambon Group S.p.A. The relevant Oversight Boards are charged with implementing and assessing the effective application of the Best Practice Model.

We confirm that the Personal Data Protection Charter (PDPC) for 2009, as required under the Italian Privacy Act (Article 33 through Article 36 and Exhibit B.26 of Decree-Law 196 of June 30, 2003) has been updated within the legally required timescale.

PRINCIPAL RISKS AND UNCERTAINTIES

Zambon Company S.p.A. Group places clear focus on identifying, assessing and managing financial risk.

We continue to integrate risk management across all business functions to ensure understanding of the importance of identifying, assessing and actively managing risks as an integral part of business planning and performance management in relation to the composition of commercial and/ or financial assets and liabilities. Risks are monitored also through periodic reporting systems.

Industry/Economic Environment Risks

The global financial crisis erupting particularly over the course of 4Q2008 backlashed harshly on financial institutions, on the real economy and on consumer confidence. Deteriorating market conditions evolved into a credit crunch, whether for consumers or businesses, with markets desperately seeking liquidity. Zambon Company S.p.A. Group operates primarily in anti-cyclic sectors and boasts a strong capital base. However, as it remains virtually impossible to predict the magnitude and duration of the current recession gripping the markets, the business activity, strategies and prospects of Zambon Company S.p.A. and its subsidiaries could be adversely affected and, as such, their operating and financial performance could remain hostage to universally negative profit downgrades and widespread fear.

Credit risk

Zambon Company S.p.A. Group controls and monitors attentively its credit risk exposure through in-house reporting system.

Liquidity risk and Interest Rate risk

Insofar as having significant positive cash flows from operations and the liquidity of major subsidiaries is coordinate in cash pools, the financial structure of Zambon Company S.p.A. Group is neither subject to liquidity risk nor interest rate risk. Liquidity is invested in low risk, readily convertible forms of investment with primarily institutional counterparts.

Currency risk

Certain subsidiaries, operating at the international level, are structurally exposed to foreign exchange risk arising from cash flows from operations denominated in currencies other than the Group's functional and reporting currency. In particular, the fine chemicals sector is exposed to foreign exchange risk, whether in terms of revenue from exports, or expenses from raw materials purchases in U.S. dollars, whilst the pharmaceutical sector remains less exposed, in that transaction revenues and expenses arise where sales or purchases are denominated primarily in local cur-

rencies. As managed on a basis consistent with in-house risk management policies, currency exposures are managed, where appropriate, under hedging agreements entered into with primary counterparts represented by institutional entities.

Equity Investment risk

Exposure to equity investment risk is not deemed to be significant in that the investments in subsidiaries are absolute and, furthermore, no shares are held in companies quoted in organized markets.

Risk arising from or relating to competition in the sectors in which subsidiaries operate

The market in which the subsidiaries operate is aggressively competitive in terms of quality of product and competitive-edge (competitor pharmaceuticals, pharmaceutical genetics, and pharmaceutical active principals), innovation, reliability and safety. The subsidiaries compete against other groups of international standing, as well as against local operators. The successful outcome of the activity pursed by the subsidiaries depends upon their capacity to carve out a bolder market footprint and/or expand into new markets offering innovative products with a superb standard of quality. Exposure to this risk is managed by monitoring on a continuing basis the markets and pursuing a policy focused around gradual diversification and product portfolio enhancement.

Environmental risk

The subsidiaries operate in sectors harshly subject to a myriad of environmental laws and regulations (local, national or otherwise), increasingly more restrictive as time passes. Environmental law evolution and the related observance thereof culminates into elevated costs and, moreover, potential impacts on profitability.

Risk arising from or relating to the activity pursued by Zambon Company S.p.A.

The markets in which the Group operates are aggressively competitive in terms of quality of product, innovation, reliability and safety. The Group competes against other groups of international standing, as well as against local operators. The successful outcome of the activity pursed by the

Group depends upon its capacity to carve out a bolder market footprint and/or expand into new markets offering innovative products with a superb standard of quality.

THE ENVIRONMENT

(in terms of the subsidiaries)

Given the nature of the activities pursued, there are no aspects of interest requiring mention. The products and activities of Zambon Company S.p.A. Group are subject to a myriad of environmental laws and regulations (local, national or otherwise). By way ensuring proper application of those laws and regulations, the Group companies have integrated structures charged with assessing and monitoring compliance on a continuing basis, in respect of which elevated costs are expected to be continually incurred. The production site at Vicenza has been awarded, and renewed periodically, ISO 9001 Quality System Management, ISO 14001 Quality Environmental Management, and OHSAS 18001 Safety System Management certificate accreditations. In June 2008, the production site obtained (the first in Italy) Certiquality certificate accreditation.

The production site at Cadempino (Switzerland) has been awarded, and renewed periodically, ISO 14001 Quality Environmental Management certificate accreditation. The production site at Lonigo has been awarded, and renewed periodically, OHSAS 18001 Safety System Management certificate accreditation in 2004, ISO 14001 Quality Environmental Management certificate accreditation in 2003 (as renewed in 2006) and ISO 9001 Quality System Management certificate accreditation in 2003.

The production site at Avrillè has been awarded ISO 9001 Quality System Management and ISO 14001 Quality Environmental Management certificate accreditations. The subsidiaries use specialist suppliers to handle waste disposal.

KEY PERFORMANCE INDICATORS

Although reflecting a downturn from the year before, ROE expresses pleasing profitability. Looking at capital-base ratios, these place in evidence capital and financial balance also as a result of sizeable net income reported for the year. On a comparative basis with the year before, the ratio of internally financed fixed assets dipped by way of refection of the increase in financial fixed assets resulting from the purchase of treasury shares, as discussed earlier.

KEY PERFORMANCE INDICATORS	2008	2007
PROFITABILITY RATIOS		
ROE = (Net Profit / Equity)	20,24%	26,44%
ROI = (Operating Result / Net Capital Employed)	34,35%	63,73%
ROS = (Operating Result / Turnover)	15,24%	20,28%
SOLID CAPITAL BASE RATIOS		
Structure margins = Equity / Fixed Assets	67,242	120,274
Internally financed fixed assets = Equity / Fixed Assets	1,30	1,77
Level of Indebtedness = Net Capital Employed / Equity	0,85	0,59
TURNOVER RATIOS		
Inventory Turnover Ratio = Turnover / Inventory	6,19	6,38
Inventory Duration Ratio = (Inventory *365) / Turnover	 59 gg	57 gg

SIGNIFICANT POST-BALANCE SHEET EVENTS

No significant post-balance sheet events are reported.

BUSINESS OUTLOOK

Looking at the route followed by the Group's two principal business streams – within a framework of deteriorating economic conditions – attention is drawn to the following:

(i) for the Pharma area, more aggressive penetration by generics cannot but affect forecasting. The resultant negative impact should be offset by the growth hiked by other strategic products, by new launches and by new business opportunities taking shape;

(ii) for the Fine Chemicals area, the situation remains difficult throughout 2009. Insofar as operating against an adverse and uncertain market background, businesses shall be necessarily reshaped.

We firmly believe, however, that your Group has the capability to rise to the challenges posed by the marketplace and deliver, yet again, pleasing results.

Bresso (Milan) May 28, 2009

By Order of the Board of Directors **Dr. Margherita Zambon**Chairman

CONSOLIDATED AT 12.31.2008

Consolidated Balance Sheet

	Accounts in Euro/'000		
ASSETS		FY08	FY07
A)	DUE FROM SHAREHOLDERS		
	for capital not paid in		
B)	FIXED ASSETS		
I	INTANGIBLE ASSETS		
1	Incorporation and subsequent expenses	39	13
4	Concessions, licenses and trademarks	14,835	9,839
6	Consolidation difference		
7	Intangibles in progress and payments on account	2,547	1,000
8	Other	3,178	2,909
Total		20,599	13,761
II	TANGIBLE FIXED ASSETS		
1	Land and buildings	51,024	53,081
2	Plant and machinery	66,928	67,444
3	Production and commercial equipment	1,136	670
4	Other	4,347	4,635
5	Tangibles under construction and payments on account	9,295	5,931
Total		132,730	131,761
III	FINANCIAL FIXED ASSETS		
1	Investments		
b)	Associates	348	348
d)	Other enterprises	5,182	5,158
2	Receivables		
d)	Other receivables (falling due within 12 months)	5,681	95
	(falling due after 12 months)	939	625
3	Investment securities	106	4,990
4	Treasury shares	56,839	
Total		69,095	11,216
Total Fixed asse	ets	222,424	156,738

Consolidated Balance Sheet

			Accounts in	Euro/'000
ASSETS		.	FY08	FY07
C)	CURRENT ASSETS			
T	INVENTORIES		,	
1	Raw materials, ancilla and consumables	ry materials	20,027	19,236
2	Work-in-progress an	d semi-finished goods	21,890	20,780
4	Finished goods and	goods for resale	45,983	39,844
5	Advances		1,654	101
Total			89,554	79,961
II.	RECEIVABLES			
1	Trade	(falling due within 12 months)	116,918	113,191
4	Parent company	(falling due within 12 months)	2,948	2,297
4 bis	Taxation authorities	(falling due within 12 months)	10,472	10,019
4 ter	Deferred tax assets	(falling due within 12 months)	14,051	9,666
5	Other receivables	(falling due within 12 months)	6,193	9,138
		(falling due after 12 months)	0	0
Total			150,582	144,311
III	FINANCIAL ASSETS I ASSETS	NOT REPRESENTING FIXED		
4	Other investments		1,364	0
6	Marketable securities		0	4,006
Total			1,364	4,006
IV	CASH AT BANK AND	ON HAND		
1	Bank and post-office	e deposits	54,900	126,466
1	Cash and valuables of	on hand	54,900	126,466
Total			55,210	126,682
Total Current as	sets		296,710	354,960
D)	PREPAID EXPENSES	AND ACCRUED INCOME		
1	Prepaid expenses		718	1,209
2	Deferred income		1,521	2,027
Total			2,239	3,236
Total Assets			521,373	514,934

Equity and Liabilities

	Α		Accounts in	Euro/'000
EQUITY			FY08	FY07
A)	SHARE CAPITAL			
1	SHARE PREMIUM RESERVE		16,623	16,623
11	REVALUATION RESERVES		20,027	19,236
III	LEGAL RESERVE		1,334	1,334
IV	RESERVE FOR TREAS	SURY SHARES	3,324	3,324
VIII	RETAINED EARNINGS TRANSLATION ADJ.	AND CUMULATIVE	152,001	181,733
IX	NET INCOME (LOSS) F	FOR THE YEAR	58,624	73,248
Total Equity after	r minority interest		288,745	276,262
Minority interest			921	750
TOTAL EQUITY BE	FORE MINORITY INTE	REST	289,666	277,012
B)	RESERVES FOR RISH	(S AND CHARGES	89,554	79,961
1	Reserves for severand obligations	ce indemnities and similar	4,583	3,906
2	Taxation reserve, inclutaxation	iding reserve for deferred	7,698	6,821
3	Other		29,026	26,968
	Reserve for other risk	S		
Total			41,307	37,695
С	RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES Reserve for employee termination indemnities ('TFR')		11,839	12,822
D)	PAYABLES			
3	Banks	(falling due within 12 months)	423	1,215
		(falling due after 12 months)	304	419
4	Other financers	(falling due within 12 months)	2,102	2,044
		(falling due after 12 months)	10,147	12,249
5	Advances	(falling due within 12 months)	3,090	3,389
6	Suppliers	(falling due within 12 months)	84,779	87,556
		(falling due after 12 months)		
10	Parent company	(falling due within 12 months)	9,263	13,229
11	Taxation authorities	(falling due within 12 months)	26,873	26,650
		(falling due after 12 months)		
12	Provident and social security institutions	(falling due within 12 months)	6,693	6,626
13	Other	(falling due within 12 months)	24,842	22,110
		(falling due after 12 months)		
Total			168,516	175,487

Equity and Liabilities

		Accounts in Euro/'000	
EOUITY		FY08	FY07
E)	ACCRUED EXPENSES AND DEFERRED INCOME		
1	Accrued expenses	1.331	1.398
2	Deferred income	8.714	10.520
Total		10.045	11.918
Total Equity and	Liabilities	521.373	514.934
	MEMORANDUM ACCOUNTS		
	Guarantees given or received:		
	Mortgages and liens	0	0
	Guarantees given	29.227	18.879
	Guarantees received	0	0
	Other memorandum accounts	0	1.290
Total Memorandu	ım accounts	29.227	20.169

CONSOLIDATED INCOME STATEMENT AT 12.31.2008

Consolidated Income Statement

		Accounts in	Euro/'000
		FY08	FY07
A)	VALUE OF PRODUCTION:		
1	Revenues from the sale of goods and services	554,503	509,851
2	Change in semi-finished goods and finished goods	7,730	201
5	Other revenues and income	16,671	16,103
Total		578,904	526,155
B)	PRODUCTION COSTS:		
6	Raw materials, ancillary materials, consumables and goods for resale	147,053	131,207
7	Service costs	137,402	105,370
8	Expenses relating to the use of third party assets	9,967	8,650
9	Personnel		
a)	Salaries and wages	102,676	85,876
b)	Social contributions	29,764	24,120
c)	Employee termination indemnities	2,848	2,728
d)	Severance and similar charges	129	938
e)	Other	6,473	5,759
10	Depreciation and write-downs		
al	Amortization of intangible assets	4,365	5,002
b)	Depreciation of tangible fixed assets	22,671	20,419
c)	Write-down of intangible and tangible fixed assets	697	100
d)	Write-down of receivables	1,455	925
11	Change in raw materials, ancill. materials, consumables and goods for resale	(498)	(2,845)
12	Provisions for risks	3,313	2,771
13	Other provisions	965	2,335
14	Other operating expenses	25,100	29,399
Total		494,380	422,754
	BETWEEN THE VALUE OF PRODUCTION ON COSTS (A-B)	84,524	103,401
C)	FINANCIAL INCOME AND EXPENSES:		
15	Income from investments	650	600
16	Other financial income	5,351	5,213
17	Interest and other financial charges	(1,548	(1,808)
17bis	Foreign exchange gains/(losses)	(6,159)	2,159
Total		(1,706)	6,164

Consolidated Income Statement

		Accounts in Euro/'000	
		FY08	FY07
D)	ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:		
18	Revaluations	0	0
19	Write-downs	0	(5)
Total		0	(5)
E)	EXTRAORDINARY INCOME/(EXPENSES):		
20	Extraordinary income	4,266	0
21	Extraordinary expenses	0	0
Total		4,266	0
RESULT BEFORE	TAXATION	87,084	109,560
22	TAXATION:		
	Current income tax	33,525	35,751
	Deferred income tax	(5,161)	424
Total		28,364	36,175
F)	MINORITY INTEREST IN NET INCOME FOR THE YEAR	96	137
23	NET INCOME FOR THE YEAR	58,624	73,248
		32,6%	33,0%

Bresso (Milan) May 28, 2009

By Order of the Board of Directors

Dr. Margherita Zambon

Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 12.31.2008

FORM AND CONTENT OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for 2008 have been prepared in accordance with the Italian Civil Code and, more pointedly, with Decree-Law 127/1991. The consolidated financial statements are represented by the consolidated balance sheet and the consolidated income statement (prepared in accordance with the format set out in Articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code integrated – where applicable – by the accounting principles established by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri), as implemented and endorsed by the Italian Accounting Board – OIC Organismo Italiano di Contabilità –), and these Notes.

The Notes, which form an integral part of the consolidated financial statements, serve to illustrate, analyze and, in certain cases, explain the data included in the consolidated financial statements, and contain that information which is required by the Italian Civil Code and by the Italian Accounting Board (O.I.C.). The Notes also provide all that information which is deemed to be necessary to present a true and fair view of the financial and operating situation of the Group, even though such information may not be specifically required by law. In particular, the statement of consolidated cash flows and the statement of changes in consolidated equity are set out as an attachment to the consolidated financial statements.

The consolidated financial statements have been prepared from the statutory financial statements approved by the Boards of Directors or other corporate bodies of the individual companies included in the consolidation. Such financial statements have been reclassified, where necessary, to conform with the format required by Articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code and adjusted pursuant to Article 2426 of the Italian Civil Code in order to apply consistently Group presentation criteria

and accounting policies, as interpreted and integrated, where applicable, by the accounting principles established by the Italian Accounting Profession (Consiglio Nazionali dei Dottori Commercialisti e dei Ragionieri), as implemented and endorsed by the Italian Accounting Board (OIC). As at December 31, 2008, the consolidated financial statements of Zambon Company S.p.A. (formerly Zambon S.p.A.) and its Subsidiaries comprise the accounts of all subsidiary undertakings, consolidated on a line-by-line basis, in which Zambon Company S.p.A. holds directly or indirectly more than 50% of share capital.

The list of the principal subsidiary undertakings consolidated on a lineby-line basis is set out as an attachment to the consolidated financial statements in Appendix 1.

The investee company DOC Generici S.r.l. (Italy), in which a 33.33% interest is held, is carried at cost in the consolidated financial statements.

RECLASSIFICATION OF PRIOR YEAR CONSOLIDATED ACCOUNTS

In order to ensure a more immediate grasp of the consolidated financial statements as at December 31, 2008, certain prior year consolidated balance sheet and consolidated income statement items have been reclassified. Such reclassifications are devoid of effects on consolidated net income as at December 31, 2007 and consolidated equity for the year then ended.

CONSOLIDATION PRINCPLES

The more significant principles of consolidation used in the preparation of the consolidated financial statements for 2008 are as follows:

- The assets and liabilities, revenues and expenses of the companies consolidated on a line-by-line basis are included in the consolidated financial statements after eliminating the book value of the investments against the companies related shareholders' equity.
- In the case acquisitions of business, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value at the acquisition date. Any excess of the cost of the business combination over the Group's interest in the fair value of those assets and liabilities is classified as goodwill and recorded in the financial statements as an intangible asset. Negative goodwill (badwill), representing the excess of the fair value of assets acquired above the fair value of consideration paid, arising on acquisitions, is drawn down against the acquired identifiable assets or recognized in an appropriate reserve.
- The portion of equity and results of operations attributed to minority interests held in consolidated subsidiaries are disclosed separately within the consolidated balance sheet and the consolidated income statement.
- Intragroup balances and intragroup transactions, including sales, expenses and dividends, are eliminated in full. Unrealized profits resulting from Group transactions that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated in full.
- The financial statements used for the consolidation were those prepared by the individual companies as at December 31, 2008, and approved at the respective shareholders' meetings or, otherwise, prepared by the Directors for subsequent approval. Where applicable, such financial statements have been reclassified and adjusted in order to apply consistently Group presentation criteria and accounting policies. All undertakings included in the consolidation have accounting dates which are conterminous with the parent company, aside from the subsidiary undertaking Zambon India Pvt. Ltd. whose financial year ends on March 31 each year. In consequence, an interim statement of accounts as at December 31, 2008 has been prepared and presented by the latter for consolidation purposes.

ACCOUNTING POLICIES

The more significant accounting policies applied in the preparation of the consolidated financial statements for 2008 are as follows:

Intangible Assets

Intangible assets are stated at purchase price, including accessory expenses. As required by applicable laws and regulations, amortization is determined on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset. The amortization period for intangible assets with finite useful lives recognized on the balance sheet varies from 3 years to 10 years. With the agreement of the Board of Statutory Auditors, intangible assets having the characteristics to be deferred are recognized as an asset on the balance sheet. In the case of permanent impairment loss, regardless of amortization already provided, the asset is written down accordingly. If, in subsequent periods, the reasons for the write-down cease to apply, the asset is reinstated. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Tangible Fixed Assets (Property, Plant and Equipment)

Tangible fixed assets are stated at cost. Cost includes accessory expenses, as well as the portion of direct and indirect costs which can be reasonably attributed to the asset. Departure is taken from the principle of cost in the case of revaluations recorded in application of applicable Revaluation Laws, as placed in evidence in the relevant financial statement schedule. In the case of permanent impairment loss, regardless of the depreciation already provided, the asset is written down accordingly; if, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated. Ordinary maintenance costs are charged wholly against the income statement. Maintenance costs of a betterment nature are attributed to the asset to which they relate and are depreciated in relation to

the remaining possibilities of utilizing that asset. The assets are depreciated systematically each period at constant rates on the basis of economic/technical rates determined according to the remaining possibilities of utilizing the related assets. The rates applied are the following:

Buildings	2,7% to 5%
Plant and machinery	7,5% to 20%
Equipment	10% to 40%
Other assets	10% to 40%

Start-up production costs for new products and ordinary maintenance costs are expensed as incurred.

Financial Fixed Assets

Equity investments are measured at acquisition cost, as written down to reflect any impairment, other than temporary, in value, when the investments have sustained losses and no profit is forecast for the immediate future which might absorb the losses incurred. The original value is reinstated in future periods, when the reasons for the write-down cease to apply. Should the subsidiary undertakings incur losses in excess of the carrying amount of the investment, provision is made for risks. Financial receivables are stated at their nominal value, as written down by recording an appropriate allowance for doubtful accounts.

Treasury Shares

Treasury shares (own equity instruments) are stated at purchase price. The classification on the face of the balance sheet is determined on the basis of the related destination thereof attributed by the competent corporate bodies.

Inventories

Inventories are measured at the lower of weighted average purchase or production costs and presumed realizable value based on market conditions. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Cost is determined in accordance with the same criteria as applied to tangible fixed assets. Presumed realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to

make the sale. Obsolete and slow-moving inventories are written down on the basis of their possible utilization or saleability. Write-downs are written back in subsequent periods if the reasons for the write-down cease to apply.

Receivables

Receivables are carried at presumed realizable value. The nominal value of receivables is written down to presumed realizable value through appropriate write-down reserve, taking into account general economic conditions, business sector and country risk. As required by Article 2427.6 of the Italian Civil Code, accounts receivable from entities not based in Italy are shown separately in the Notes.

Payables

Payables are stated at their nominal value. Provision is made for employee vacation payable and deferred remuneration, including therein related social security contributions, based on the liability that would be due on employment termination, if any, at the consolidated balance sheet date. As required by Article 2427.6 of the Italian Civil Code, accounts payable to entities not based in Italy are shown separately in the Notes.

Cash and Cash Equivalents

Cash and cash equivalents are stated at their nominal value and include cash on hand, deposits held at banks, other short-term highly liquid investments with original maturities of one year or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the face of the consolidated balance sheet.

Accounts Receivable or Payable Denominated in Foreign Currency

Receivables and payables denominated in foreign currency at the consolidated balance sheet date are recorded at the rate of exchange prevailing at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities and, not least, financial receivables classified as financial fixed assets, denominated in foreign currency at the consolidated balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Foreign exchange gains and losses arising on translation of receivables and payables denominated in foreign currency are taken to the consolidated income statement and credited or debited, respectively, under account line 17-bis "Foreign exchange gains/(losses)". If, at year-end, a net gain results on the translation at year-end exchange rates of balances denominated in foreign currency, such gain works toward formation of the result for the year and, on approval of the financial statements and resultant allocation to the legal reserve, is recognized, to the extent not reduced by exchange rate movements after the year-end, within a reserve for foreign exchange gains not distributable unless realized. The rates of exchange applied are sourced from the Bank of Italy.

Reserves for Risks and Charges

Reserves for risks and charges are provided to cover certain or probable losses or liabilities for which the exact value and effective date are not determinable at the consolidated balance sheet date. The reserves represent the best estimate possible based on information currently available. Risks that may only possibly result in a liability are disclosed, based on their significance, in the Notes but not provided in the reserves for risks and charges. The reserves for risks and charges are recognized in accordance with the principle of prudence and the accrual basis of accounting.

Accruals and Deferrals

Accruals and deferrals include the portion of revenues and expenses covering two or more periods, in accordance with the accrual basis of accounting.

Reserve for Employee Termination Indemnities (TFR)

The reserve for employee termination indemnities (TFR) is determined, for the Italian companies, in accordance with current legislation, national labor contracts and additional indemnities agreed at the company level. This reserve reflects the full liability due to employees in service at the consolidated balance sheet date. Looking at the foreign companies, the reserve for employee termination indemnities is determined in accordance with current legislation and collective labor contracts, and reflects the full liability due to employees in service at the consolidated balance sheet date.

Income Tax

Provision for current and deferred income tax payable is recorded by each Group company substantially on the basis of reasonable estimates of the taxable income for the year, taking into account the applicable tax laws and regulations prevailing in the countries from which the consolidated companies operate. Deferred taxation reflects the provisions recorded by the consolidated companies for tax liabilities arising from temporary differences taxable income and reported income, consolidation adjustments and any adjustments recorded to conform with Group accounting policies. Deferred tax assets are recognized to the extent that is probable that taxable profit will be available against which the asset can be utilized. This requires judgments to be made in respect of the availability of future taxable income. Provision is made for deferred taxation on the reserves of the foreign companies if, and only if, the conditions, i.e. distribution, giving rise to their taxation are expected to arise at the Group level.

Research and Development

Research and development expenditure is charged to the consolidated income statement in the period in which it is incurred. Government grants toward research are credited to income in the financial period in which collection becomes certain.

Revenues and Costs

Revenues from sales, the costs of purchase, production and sale, and generally all other income and expenses are recognized in accordance with the accrual basis of accounting. Revenue from the sale of products is recognized at the moment that title passes, which generally coincides with shipping. Revenue from the provision of services is recognized at the date on which those services are rendered in accordance with the underlying contract timeline. Intragroup transactions are conducted at fair value based on normal market conditions. Of note, the Group companies operate primarily in country regions in which the selling prices of specialty pharmaceuticals are mandatory.

Extraordinary Income/(Expenses)

Encompassed within this account line are items of income and expense deemed to be extraordinary in nature and out-of-period items and income and expense and, not least, items of income and expense resulting from any change in accounting policies.

Derivative Financial Instruments

Derivative financial instruments, including therein contracts to purchase/sell foreign currency forward, used to hedge exposure to fluctuations in currency rates, are recognized in the memorandum accounts. The related gains and losses resulting therefrom are taken to the income statement on an accrual basis over the term of the respective contract; to the extent that such instruments are matched against an underlying asset or liability, these are accounted for using hedge accounting. Diversely, should the relationship between a hedging instrument and the item hedged not be effectively demonstrable in terms of amount, due-date and nature of the derivative, this is measured at fair value with the corresponding entry being the income statement.

Leases

As required by the accounting principles established by the Italian Accounting Board (O.I.C.), assets held under lease are recognized, where applicable, under the finance method.

National Tax Consolidation

The Company adheres to national tax consolidation, the tax consolidating entity of which is Gefim S.r.l., with renew option due-date December 31, 2009. As a result of adhering formally to the consolidated tax return, tax payments and settlements are centralized at the tax consolidating entity level, with the attendant consequence being centralized tax compliance and obligations. In a nutshell, the individual subsidiaries no longer have any direct relationship with the Tax Administration in terms of tax payments and settlements, albeit those subsidiaries are responsible individually for the related tax returns underlying the consolidated tax return.

TRANSLATION CRITERIA FOR FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCY

The financial statements denominated in foreign currency are converted into Euro as follows: income statement items are translated at the average rate of exchange for the year, whilst balance sheet items are translated at the respective rate of exchange applying at year-end, excluding therefrom the result for the year, which, insofar as being a component of the income statement, is translated at the average rate of exchange for the year. The exchange differences arising from translating the result for the year at average exchange rates rather than at year-end exchange rates are recognized in equity.

The principal exchange rates, against the Euro, applied to convert financial

statements denominated in foreign currency, are as follows:

	FY08	FY08	FY07	FY07
Foreign currency	Balance sheet	Income Statement	Balance sheet	Income Statement
Swiss franc	1.4850	1.5874	1.6547	1.6427
U.S. dollar	1.3917	1.4708	1.4721	1.3704
Columbian peso	3124.4800	2,870.9062	2,969.59	2,841.4958
Brazilian real	3.2436	2.6737	2.6107	2.6637
Indonesian rupee	15239.1000	14165.1635	13,826.70	12,528.325
Indian rupee	67.6360	63.7343	58.021	56.5715
RMB - PRC	9.4956	10.2236	10.7524	10.4178

EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

The consolidated financial statements have been translated into English from the original version in Italian. They have been prepared in accordance with the accounting principles established by the Italian law related to consolidated financial statements, which may not conform with generally accepted accounting principles in other countries.

HEADCOUNT

The average number of Group employees in service as at December 31, 2008 is analyzed below by employee category:

Average number of employees by employee category	FY08	FY07
Managers	126	117
Supervisors and clerks	1.783	1.703
Intermediates and workers	611	527
	2.520	2.347

CONSOLIDATED BALANCE SHEET INTANGIBLE ASSETS

Intangible assets as at December 31, 2008 and 2007 are analyzed below by asset class and accumulated amortization:

			Accou	nts in Euro/'000
	FY08	FY08	FY08	FY07
	Gross value	Accumulated amortization	Net value	Net value
Incorporation and subsequent expenses	59	(20)	39	13
Concessions, licenses and trademarks	37.383	(22.548)	14.835	9.839
Payments on account	2.547	0	2.547	1.000
Other intangibles	17.134	(13.956)	3.178	2.909
Total	57.123	(36.524)	20.599	13.761

The following table sets out the relevant movement for the year:

			Accounts	s in €/'000
item	Incorporation and subsequent expenses	Concessions, licenses and trademarks	Other intangibles and payments on account	Total
Balance as at 12.31.2007	13	9.839	3.909	13.761
Additions for the year	38	7.106	4.077	11.221
Differences arising on translation of financial statements denominated in foreign currency		(104)	95	(9)
Decrease for the year			(9)	(9)
Reclassifications		987	(987)	0
Revaluations/ Write-downs Amortization	(12)	(2.993)	(1.360)	(4.365)
Balance as at 12.31.2008	39	14.835	5.725	20.599

Concessions, licenses and trademarks

Additions for the year, particularly additions relating to "Concessions, licenses and trademarks", mainly relate, in the amount of Euro 5,882 thousand, to new pharmaceutical licenses acquired by Zambon S.A. (Spain). Euro 1,500 thousand relate to a license, executed formally over the last twelve months, relating to the commercialization, on the Italian market, of a respiratory specialty medicine. The remainder, some Euro 431 thousand in amount, relate to the subsidiary Zambon Italy S.r.l. and refer almost entirely to the design-engineering, and putting into service of a new computer-system application, which culminated into software licenses being purchased and technical support, overhaul and maintenance contracts being sealed; the application comes under a sales network CRM solution enabling 'leaner' computer-system platform and, not least, 'leaner' data streams throughout.

Other intangibles

These reflect a year-on-year increase of Euro 4,077 thousand, primarily pushed through by the capital expenditure discussed below.

Euro 2,490 thousand relate to intangibles in progress arising from or relat-

ing to major capital expenditure toward software currently being created that will see implementation of a new computer-system for the Group. Also envisaged therein is the purchasing of hardware and related program property licenses and software property licenses and, not least, the relative tender contracts for the related implementation thereof.

The amortization charge for the year amounts to Euro 4,365 thousand.

TANGIBLE FIXED ASSETS

Tangible fixed assets as at December 31, 2008 and 2007 are analyzed below by fixed asset class and accumulated depreciation:

			Accounts i	n Euro/'000
	FY08	FY08	FY08	FY07
	Gross value	Accumulated depreciation	Net value	Net value
Land and buildings	144.737	(93.713)	51.024	53.081
Plant and machinery	285.495	(218.567)	66.928	67.444
Production and commercial equipment	9.624	(8.488)	1.136	670
Other tangibles	23.747	(19.400)	4.347	4.635
Tangibles under construction and payments on account	9.295		9.295	5.931
Total	472.898	(340.168)	132.730	131.761

The more significant changes in tangible fixed assets for 2008 are the following:

		Accounts in €/'000
	FY08	FY07
Opening balance	131.761	120.530
Capital expenditure	23.277	6.759
Changes in the scope of consolidation	0	27.216
Differences arising on translation of financial statements denominated in foreign currency	2.186	(674)
Divestments and write-downs	(1.823)	(1.651)
Depreciation	(22.671)	(20.419)
Ending balance	132.730	131.761

The following table sets out the movement for the year on tangible fixed assets:

					Account	s in €/'000
	Land and buil- dings	Plant and machi- nery	Production & com- mercial equipment	Other assets	Tangibles under construction/ payments	Total
Net balance as at 12.31.2007	53.081	67.444	670	4.635	5.931	131.761
Additions for the year	1.717	7.753	332	758	12.717	23.277
Write-downs					(689)	(689)
Differences arising on translation of t/s denominated in foreign currency	1.399	580	71	73	63	2.186
Decrease for the year	(188)	(233)	(14)	(543)	(156)	(1.134)
Reclassifica- tions		6.945	596	1.030	(8.571)	0
Depreciation for the year	(4.985)	(15.561)	(519)	(1.606)	0	(22.671)
Net balance as at 12.31.2008	51.024	66.928	1.136	4.347	9.984	132.730

Land and buildings

Land and buildings are analyzed as follows:

- Euro 8,516 thousand, relating to land primarily in Italy or Switzerland associated with pharmaceutical business stream operations;
- Euro 5,523 thousand, relating to the pharmaceutical plant at Vicenza (Italy);
- Euro 6,291 thousand, relating to the pharmaceutical plant at Cadempino (Switzerland);
- Euro 4,373 thousand, relating to industrial buildings earmarked for chemical business stream production activities at Lonigo (Vicenza, Italy);
- Euro 4,858 thousand, relating to fine chemicals plant at Avrillè (France);
- Euro 490 thousand, relating to fine chemicals plant at Laporte (Texas);
- Euro 20,875 thousand, relating to office premises located at Bresso (Milan).

Additions for the year relate, in the amount of Euro 861 thousand, to reali-

zation of the reagent catch basin and rehabilitation, consolidation or other such works put in place in the fine chemicals plant at Lonigo (Vicenza, Italy) and, not least, modernization and renovation put in place in certain areas of the plant at Vicenza (Italy) and/or the plant at Cadempino (Switzerland). As if any reminder were needed, Zambon Immobiliare S.p.A. transferred on October 5, 2005 the property unit located at Bresso (represented by industrial buildings, management offices, a parting area assigned to employees, ancillary fixed installations - such as electric system, airconditioning system, and heating system – and relevant appurtences) to a leasing company (LOCAT Leasing S.p.A.) and, at the same time, entered into finance lease arrangements in respect of the said property unit and appurtences. The finance lease carries a term of eight years, saving exercise, by Zambon Immobiliare S.p.A., of the early redemption right attaching to the property, exercisable as from eighteen months after lease inception. The selling price consideration, Euro 23,528 thousand, relating to the property unit transferred to LOCAT Leasing S.p.A., gave rise to a capital gain for Zambon Immobiliare S.p.A. in the amount of Euro 14,126 thousand, which has been deferred over the lease term. Furthermore, in order to ensure a more immediate grasp of the financial position of the Group as at December 31, 2008 and its financial performance and cash flows for the year then ended, the sale and leaseback transaction has been accounted for in the consolidated accounts under the finance method required by the accounting principles established by O.I.C. Adopting the O.I.C. finance method involves recognizing the assets held under finance lease and the related lease obligations in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortized over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Plant and machinery

Plant and machinery relate to fixed assets allocated for production operations. Production-related plant and machinery mainly relate to the following key Group production installations:

- Euro 13,340 thousand, relating to plant and machinery held by Zambon S.p.A. in the pharmaceutical plant at Vicenza (Italy);
- Euro 2,900 thousand approximately, relating to production systems installed in the pharmaceutical plant at Cadempino (Switzerland);
- Euro 28,444 thousand, relating to production systems installed in the fine chemicals plant at Lonigo (Vicenza, Italy);

- Euro 11,577 thousand, relating to production systems installed in the fine chemicals plant at Avrillè (France).

Additions for the year relate, in the amount of Euro 5,955 thousand, to capital expenditure ploughed into the Group's fine chemicals business stream agglomerated in the fine chemicals plant at Lonigo (Italy) and designed toward upgrading the anti-fire installation and implementing other general plant. Euro 668 thousand relate to cooling plant extraordinary overhaul and maintenance and the installation of non-corrosive machinery for utilizing nitrogen, as well as other works on plant and machinery installed at the fine chemicals plant at Lonigo (Vicenza, Italy). Euro 3,355 thousand relate to production plant modifications, certain workshop revamping and, not least, workshop and plant layout and upgrading that boosted significantly production, along with other works focused on pushing through flexible pilot workshop production in the fine chemicals plant at Lonigo (Italy). Also, capital expenditure in the amount of Euro 1,608 thousand was ploughed into the plant at Vicenza (Italy) relating to new anti-fire systems (Euro 524 thousand), plant and installations destined for the injectable work shop (Euro 1,084 thousand) and non-corrosive machinery destined for the laboratories and the workshops engaging in the production of semi-finished goods and finished goods.

Production and commercial equipment

Production and commercial equipment mainly relate to laboratory small parts and equipment. Primarily pushing through the year-on-year increase was, in the amount of Euro 105 thousand, a termoclimatic chamber purchased for feasibility studies, mechanical machining equipment and other equipment commonly employed in the laboratories and installed in the plant at Vicenza (Italy).

Other tangible fixed assets

Other tangible fixed assets include furniture, office machinery, whether electronic or otherwise, motor-vehicles and trucks.

Of note: the additions for the year relate primarily to telephone exchanges and office fixtures and fittings purchased.

Tangibles under construction and payments on account

Tangibles under construction and payments on account relate principally to plant requalification and new items of plant as yet to be included in the production cycle at the consolidated balance sheet date.

Additions for the year equate Euro 12,717 thousand and, as detailed below, relate to tangibles in course of completion:

- Euro 4,667 thousand, relating to fixed asset investments at the Zambon S.p.A. plant at Vicenza (Italy) and refer to new installations, improved industrial safety fixtures and extraordinary maintenance focused on raising the bar of performance delivered by plant and installations, production processes and industrial safety;
- Euro 1,432 thousand, relating to infrastructural investments at the fine chemicals plant at Laporte (Texas, USA);
- Euro 1,664 thousand, relating to assets, as yet to be tested, inspected or completed, for use in system and installation modifications, requalification of areas inside the plant, performing extraordinary maintenance and replacements designed toward raising the bar of performance delivered by plant, installations and production processes in the fine chemicals plant at Lonigo (Vicenza, Italy);
- Euro 1,505 thousand, relating to fixed asset investments in the fine chemicals plant at Avrillè (France);
- Euro 817 thousand, relating to hardware and computer-system infrastructure fixed asset investments, mainly associated with development of the business-wide new computer-system platform, as examined and discussed earlier under *intangibles in progress*.

Over the last twelve months, capital expenditure in the amount of Euro 8,571 thousand was ploughed into the production process. The more significant of these relate to the following:

- Euro 3,020 thousand, relating to systems and installations put into production, the fit-out of which reached conclusion in the current period and are located in the plant at Vicenza (Italy);
- Euro 5,364 thousand, relating to capital expenditure ploughed into the fine chemicals business stream mainly agglomerated in the fine chemicals plant at Lonigo (Vicenza, Italy).

FINANCIAL FIXED ASSETS

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in €/'000	
	FY08	FY07
Equity investments		
Associated companies		
Doc Generici S.r.I.	348	348
Total	348	348
Other enterprises		
Futura Invest S.p.A.	0	1.364
Minor other enterprises	5.182	3.794
Total	5.182	5.158
Receivables		
Other financial receivables falling due within 12 months	5.681	95
Other financial receivables falling due after 12 months	939	625
Treasury shares	56.839	0
Investment securities	106	4.990
Total	69.095	11.216

The following table sets out the key information, based on the latest duly approved financial statements available, about the investments held by the consolidated companies in associated companies.

				Acc	counts in €/'000
Item	State	Equity	Result for the year	% ownership	Equity attributable to the Group
Other enterprises					
Pharmeste S.r.l.(*)	Italy	6.689	(301)	30,00%	2.007
Biopolo S.C.R.L.	Italy	2.407		20,00%	770
Other					
ProtAffin Biotecnologie AG (**)	Austria	(348)	(4.668)	13,00%	(45)
SuppreMol GMBH (*)	Germany	4.530	(2.848)	17,00%	770

(*) pre-tax data as per operating and financial position of the enterprise as at December 31, 2008.

(**) as per financial statements for the year ended December 31, 2008.

Insofar as the investment assumptions envisaged at the time when the Zambon Group joined the Futura Invest's shareholder structure have failed to crystallize, the 40% interest in Z Cube S.r.l. has been repurchased. Accordingly, exercised on January 30, 2009 was the put option whereby the investment in Futura Invest S.p.A. was divested at an agreed value of Euro 1,895 thousand. Primarily pushing through the year-on-year increase in "Investments in other enterprises" were the investments put in place by Z Cube S.r.l. by virtue of the share capital increases subscribed in respect of the investments in Pharmeste S.r.l. (Italy) and Suppremol GmbH (Germany). For both of these, consensus expectation is geared toward research being carried forward on a continuing basis along with the necessary funds being collected.

Reclassified in the review period was the 2.02% stake in the share capital of Futura Invest S.p.A., an asset management company that invests in private equity funds and/or directly in enterprises specializing in the services and industrial sector. Driving through the year-on-year increase in "Other financial receivables" was redemption of the insurance policy entered into with the primary insurance company Generali Vita S.p.A. The insurance policy was redeemed on December 31, 2008 in the aggregate amount of Euro 5,573 thousand, including therein interest income accrued up to redemption date. On October 27, 2008, as authorized at the Annual General Meeting held on June 23, 2008, Zambon Company S.p.A. purchased, pursuant to Article 2357-ter of the Italian Civil Code, treasury shares (fully paid) in the number of 214,488 - or one-tenth of the share capital – at the price of Euro 265.00 per share or, when taken as a whole, Euro 56,839 thousand. The value of the portfolio treasury shares stated in the accounts is supported by an expert appraisal report in respect of the global valuation of Gruppo Zambon Company and exceeds the shareholders' equity of reference by Euro 27,872 thousand. As required by Article 2357-ter, paragraph three, of the Italian Civil Code, a reserve for treasury shares has been established, in an amount equal to the amount of the treasury shares held in portfolio, and entered among the equity reserves. The movement for the year on "Investment securities" reflects redemption of the 5-year one-shot mixed insurance policy subject to revaluation entered into with the primary insurance company Generali Vita S.p.A. over the course of 2005. The 5-year one-shot insurance policy was redeemed on December 24, 2008. All accounts receivable fall due within 5 years.

INVENTORIES

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000		
	FY08	FY07	
Raw materials, ancillary materials and consumables	20.027	19.236	
Work-in-progress and semi-finished goods	21.890	20.780	
Finished goods (inc. samples) and goods for resale	45.983	39.844	
Advances	1.654	101	
Total	89.554	79.961	

Information about the inventory valuation formula adopted in drawing up the consolidated accounts can be found earlier under Accounting Policies. Primarily pushing through year-on-year inventory growth, particularly at the companies specializing in the pharmaceutical sector, was the need to build up inventory stocks in order to rise to the challenges posed by sales forecasting and by the requirements expected to be needed by the Group companies after the consolidated balance sheet date and in the months immediately thereafter.

Inventories as at December 31, 2008 are analyzed below by company and on a comparative basis with the year before:

		Acc	counts in Euro/'000
Company		FY08	FY07
Zambon S.p.A.	Italy	9.709	8.147
Zambon Italy S.r.l.	Italy	8.848	8.600
Zambon S.A.	Belgium	2.764	2.301
Pharmazam S.A.	Spain	3.751	2.918
Zambon S.A.	Spain	4.158	4.847
Zambon Lab.ltda	Brazil	6.429	4.581
Zambon S.A.	France	5.727	5.154
ZaCh System S.p.A.	Italy	25.977	23.350
ZaCh System SA	France	5.543	15.570
ZaCh System Corporation	USA	13.947	2.735
Other		2.701	1.758
Total		89.554	79.961

As stated on a net basis, i.e. less negative differences (Euro 188 thousand) arising on translation of f/s denominated in foreign currency, the year-on-year Euro 9,593 thousand increase in inventories is analyzed below by company:

		Aco	Accounts in Euro/'000		
		FY08	FY07		
Z Group S.p.A.	Italy	0	(28.904)		
Zambon S.p.A.	Italy	1.562	8.147		
ZaCh System S.p.A.	Italy	2.626	23.350		
ZaCh System S.A.	France	(1.622)	15.569		
ZaCh Corporation	USA	2.807	2.735		
Zambon GmbH	Germany	0	(1.563)		
Zambon S.A.	Belgium	463	(2.498)		
Pharmazam S.A.	Spain	833	(2.914)		
Zambon S.A.	Spain	(716)	(340)		
Zambon Italy S.r.l.	Italy	248	(698)		
Zambon France S.A.	France	573	0		
Zambon Hainan	China	291	0		
Zambon Lab.ltda	Brazil	1.848	1.088		
Zambon Switzerland Ltd.	Switzerland	0	1.419		
Other		680	2.555		
Total		9.593	17.946		

Inventories are stated on a net basis, i.e. less write-down reserves, the value of which and related movement thereon is set forth in the following table:

			Accounts in I	Euro/'000
Write-down reserves	Raw materials/ consumables	Semi-finished goods	Finished goods	Total
Balance as at 12.31.2007	1.074	3.893	3.583	8.550
Provision for the year	99	374	883	1.356
Use for the year	(247)	(2.101)	(1.125)	(3.473)
Balance as at 12.31.2008	926	2.166	3.341	6.433

The movement for the year reflects the write-down of differing items of inventory to their presumed realizable value, taking into obsolete or slow-moving inventories and costs-to-sell.

The year-on-year decrease in the reserve for the write-down of raw materials and/or semi-finished goods and, more particularly, the fine chemicals sector's related write-down reserve, stems from a specific product, which, in the year under review, was either sold or reworked thereby mitigating risk of impairment losses estimated, for reasons of prudence, at end 2007.

TRADE RECEIVABLES

Trade receivables as at December 31, 2008 and 2007 are analyzed below by Group company locations:

	Accounts in Euro/'000	
	FY08	FY07
Italy		
Total trade receivables falling due within 12 months	62.682	57.623
Less - Write-downs	(5.820)	(4.535)
	56.862	53.088
Rest of the world		
Total trade receivables falling due after 12 months	65.682	65.270
Less - Write-downs	(5.626)	(5.167)
	60.056	60.103
Total Trade receivables, Net – amounts falling due within 12 months	116.918	113.191

As at December 31, 2008 and 2007, receivables and the related write-down reserve of the Italian companies include default interest in the amount of Euro 1,278 thousand and Euro 1,228 thousand, respectively, as written down wholly, whether in application of currently prevailing tax legislation or in accordance with the principle of prudence. As if any reminder were needed, the financial effect pushed through by default interest income is recognized as and when collected.

Primarily pushing through the year-on-year increase approximating Euro 3,727 thousand in trade receivables (less reserve for the write-down of receivables) was the following: decrease in the amount of Euro 2.773 thousand in Zambon Group S.p.A.; increase in the amount of Euro 6,594 thousand in Zambon S.p.A.; decrease in the amount of Euro 1,204 thousand in Zambon Spain, and; decrease in the amount of Euro 3,875 thousand in Zambon Switzerland.

Trade receivables as at December 31, 2008 are analyzed below by geographical region and on a comparative basis with the year before:

	Accounts in Euro/'000	
	FY08	FY07
Europe	86.905	90.845
America	19.782	8.656
Pacific Asia and other	10.231	13.690
Total	116.918	113.191

Encompassed within trade receivables are balances denominated in currencies other than the Group's functional and reporting currency, i.e. balances denominated in U.S. dollars or Pounds sterling, namely USD 13,933 and GBP 48 thousand, respectively. These balances culminate into unrealized foreign exchange gains in the amount of some Euro 459 thousand based on the route followed by the relevant rates of exchange over the period from the consolidated balance date to the date on which the consolidated accounts were prepared and authorized for issue.

Further information thereon can be found in the table below.

	Accounts in Euro/'000		
	FY08	FY07	
Currency	In foreign exchange	In Euro	
U.S. dollar	13.933	10.011	
Pound sterling	48	51	

The movement for the year on the reserve for the write-down of trade receivables is detailed below:

	Accounts in Euro/'000	
	Write-down reserve	
Balance as at 12.31.2007	9.924	
Provision for the year	1.686	
Use for the year	(164)	
Balance as at 12.31.2008	11.446	

Recorded in the amount of Euro 1,686 thousand in the year under review was provision for the write-down of trade receivables. Taking into account the analysis and assessments performed in respect of the individual credit positions, the write-down reserve stated in the consolidated accounts is deemed to be appropriate to cover any bad debt or doubtful accounts. There are no trade receivables falling due beyond five years. There are no trade receivables reflecting due-dates in excess of normal market conditions.

AMOUNTS DUE FROM PARENT COMPANIES

within next accounting period

Accounts receivable from parent companies as at December 31, 2008 and 2007 relate wholly to amounts due from the parent Gefim S.r.l.:

	Accounts in Euro/'000	
	FY08	FY07
Due from Gefim S.r.l.	2.948	2.297
Total	2.948	2.297

As at December 31, 2008 and 2007, amounts due from parent companies came to Euro 2,948 thousand and Euro 2,297 thousand, respectively, and relate primarily to accounts receivable in relation to the national tax consolidation program to which the Italian companies have adhered.

TAX CREDITS

Tax credits as at December 31, 2008 and 2007 are composed of the following:

	Accounts in Euro/000		
	FY08	FY07	
VAT recoverable	6.483	6.931	
Tax credits	2.687	2.114	
Advance withholding tax on employee term. indem.	1.302	974	
Total	10.472	10.019	

DEFERRED TAX ASSETS

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000		
	FY08 FY07		
Deferred tax assets	14.051	9.666	
Totale	14.051	9.666	

As at December 31, 2008 and 2007, deferred tax assets, amounting to Euro 14,051 thousand and Euro 9,666 thousand, respectively, relate primarily to deferred tax assets recognized by the subsidiary undertakings Zambon Group S.p.A., Zambon France S.A., Zambon S.p.A., Zambon Immobiliare S.p.A. and ZaCh System S.p.A.

The tax effect arising from temporary differences as at December 31, 2008 and 2007 has been measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the consolidated balance sheet date. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used.

The deferred tax asset account is analyzed as follows:

				Д	ccounts in	Euro/'000
		FY07			FY08	
Deferred tax asset account analysis	Tax asset	Tax rate	Tax	Tax asset	Tax rate	Tax
Year-to-date losses ZaCh System Corp.	826	35,00%	290	-	35,00%	-
Provident reserves ZaCh System S.A.	1.000	33,00%	330	1.000	33,00%	330
Other reserves ZaCh System S.A.	1.440	33,00%	475	-	33,00%	-
Reserves for risk Zambon Group S.p.A.	11.749	27,50%	3.231	9.632	27,50%	2.649
Reserves for risk		-	-	1.188	31,40%	373
Inventory write-down reserves	=	-	=	1.218	31,40%	382
Premiums (MB0)	1.040	27,50%	286	2.265	27,50%	623
Trademark amortization	1.520	31,40%	477	-	31,40%	-
Entertainment expenses	250	27,50%	69	156	27,50%	43
Tax impact on leaseback	4.500	31,40%	1.413	5.564	31,40%	1.747
Impact arising from consolidation entries	1.838	31,40%	577	10.392	31,40%	3.263
Other			2.518			4.641
Total	24.163		9.666	31.415		14.051

Not recognized for reasons of prudence are deferred tax assets arising from temporary differences where the timing of reversal of the temporary differences is neither quantifiable nor determinable; the balance thereon equates some Euro 3,000 thousand.

OTHER RECEIVABLES

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000			
	FY08	FY07		
Other receivables falling due within 12 months:				
Advances to suppliers	2.035	1.670		
Advances to employees	845	984		
Due from provident and social security institutions	610	536		
Escrow account for Confarma S.p.A. disposal deposit	0	203		
ZaCh France fixed asset transfer	0	350		
Due from APR within 12 months	0	2.904		
Zambon Brazil judicial deposits	763	389		
Other	1.940	2.102		
	6.193	9.138		
Other receivables falling due after 12 months:				
Escrow account for Confarma S.p.A. disposal deposit	0	0		
Total	6.193	9.138		

The movement for the year reflects primarily the positive outcome of certain transactions outstanding and as yet to be collected at December 31, 2007. More pointedly, collected wholly in the year under review was the account receivable arising from the settlement reached with Applied Pharma Research S.A. (APR) part way 2007. Also successfully reaching completion was disposal of the investment in Confarma S.p.A., the underlying transaction of which had given rise to the Escrow Account by way of securing against any losses in the value reflected by that investment.

MARKETABLE SECURITIES

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Marketable securities	0	4.006
Total	0	4.006

As at December 31, 2008, this items reflects a nil balance. Sold over the last twelve months were the investment fund units previously held for the temporary deployment of liquid funds. Further information thereon can be found in the table below.

		Accounts in Euro/'000			
Investment fund	Nominal quantity	Average price	Market price	Market value	Difference
Lux. Invest. Founds	4.000	1.000	1.032	4.129.400	129.400
Balance as at 12.31.2007	4.000				129.400
Lux. Invest. Founds	(3.600)	1.000	1.021	(3.676.284)	(76.284)
Lux. Invest. Founds	(400)	1.000	977	(390.756)	9.244)
Balance as at 12.31.2008					(67.040)

FINANCIAL ASSETS NOT REPRESENTING FIXED ASSETS

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000			
	FY08 FY0			
Other investments	1.364	0		
Total	1.364	0		

As at December 31, 2008, financial assets not representing fixed assets are represented by the investment, or 2.02% interest in share capital, in Futura Invest S.p.A. with registered office in Milan (1, Via G. Mazzini) and equity in the amount of Euro 73,492,069. Insofar as the assumptions envisaged at the time when the Zambon Group joined the Futura Invest's shareholder structure have failed to crystallize, the 40% interest in Zeta Cube S.r.l. has been repurchased. Accordingly, exercised on January 30, 2009 was the call option whereby the investment held in Futura Invest S.p.A. was divested at an agreed value of Euro 1,895 thousand.

CASH AT BANK AND ON HAND

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000			
	FY08 F			
Term deposits	13.527	85.000		
Current accounts + Cash and cash equivalents	41.683	41.682		
Total	55.210	126.682		

As are sult of treasury cash-pooling, these are held primarily by Zambon Company S.p.A, and are deployed to some extent in short-term demand deposits. Also encompassed therein are term deposits in the amount of Euro 13,527 thousand, the purpose of which is designed toward enhancing financing activities, and only financing activities, by seeking out forms of short term investment with higher yields and returns on investment. Further details and information about the year-on-year change in cash and cash equivalents and bank and post-office deposits can be found in the consolidated cash flow statement set out as an attachment to the consolidated financial statements for the year ended December 31, 2008.

PREPAID EXPENSES AND ACCRUED INCOME

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000		
	FY08 F		
Accrued income	718	1.209	
Prepaid expenses	1.521	2.027	
Prepaid expenses and accrued income	2.239	3.236	

Prepaid expenses and accrued income are recognized in accordance with the accrual basis of accounting.

EQUITY AND LIABILITIES EQUITY

	Accounts in Euro/'000				
	FY08	FY08 FY07			
Equity	289.666	277.012			

Equity as at December 31, 2008 is detailed as follows:

								Accounts	in Euro/'000
	Share Capital	Legal reserve	Ret. earnings (acc. defic.)	Revaluation reserve	Res. for treasury shares	Result for the year	Attrib. to Group	Minority interest in capital/res.	Totale
As at 01.10.07	16.623	3.324	167.807	1.334		38.794	227.882	645	228.527
Allocation of result for FY06			38.794			(38.794)	0		0
Allocation of result for the year							0		0
Dividend payout			(21.020)				(21.020)		(21.020)
Translation differences			(3.743)				(3.743)		(3.743)
Change in minority interest			(105)				(105)	105	0
Result for the year						73.248	73.248		73.248
Minority interest									
As at 12.31.07	16.623	3.324	181.733	1.334		73.248	276.262	750	277.012

								Accounts in	Euro/'000
	Share Capital	Legal reserve	Ret. earnings (acc. defic.)	reserve tre	es. for easury shares	Result for the year	Attrib. to Group	Minority interest in capital/res.	Totale
Allocation of for the year			73.248			(73.248)	0		0
Purchase of treasury shares			(56.839)	5	56.839		0		0
Dividend payout			(51.477)				(51.477)		(51.477)
Translation differences on conversion of f/s off foreign operations			5.507				5.507		5.507
Change in minority interest			(171)				(171)	171	0
Result for the year						58.624	58.624		58.624
As at 12.31.08	16.623	3.324	152.001	1.334 5	6.839	58.624	288.745	921	289.666

As at December 31, 2008 and 2007, share capital is represented by 2,144,880 shares with a par value of Euro 7.75 each.

Reserve for treasury shares

Euro 56,839 thousand. The reserve for treasury shares has been formed subject to the terms of the resolution adopted at the Annual General Meeting on June 23, 2008 giving authority, pursuant to Article 2357 of the Italian Civil Code, authority to purchase Zambon Company treasury shares in the maximum number of 214,488, or 10% of the share capital, at the price of Euro 265.00 per share and for an aggregate amount equating Euro 56,839,320, to be offered to the Shareholders for an 18-month period as from the date on which the resolution was passed. As a consequence thereof, a reserve not distributable, i.e. reserve for treasury shares, has been formed, using in par amount retained earnings, and entered among the equity reserves.

Revaluation reserves

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000		
	FY08	FY07	
Revaluation reserves recorded in application of local laws:			
Italian companies			
Revaluation for monetary equalization	95	95	
Revaluation pursuant to Law 413/1991	1.239	1.239	
Total	1.334	1.334	

Other reserves and retained earnings

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000		
	FY08	FY07	
Other reserves and retained earnings relative to prior years	120.856	156.703	
Cumulative translation adjustment reserve	31.145	25.030	
Total	152.001	181.733	

The movement for the year on the cumulative translation adjustment reserve reflects the effect of converting into Euro investee company financial statements denominated in foreign currency, less translation differences reclassified from indivisible profits following distributions of profits.

As required by the recently amended Article 2427 of the Italian Civil Code, set forth in Appendix 3 are the equity accounts of Zambon Company S.p.A., analyzed by source of origin, use and tax status on distribution.

MINORITY INTEREST IN CAPITAL AND EQUITY RESERVES

As at December 31, 2008, the balance on this account came to Euro 921 thousand (December 31, 2007: Euro 750 thousand). Presented below is the analysis of the equity accounts – as required by Art. 2427 of the Italian Civil Code – analyzed by distributable status and possible use.

- (1) Where used for financing losses, no distributions of profits may be made until the reserve has been reintegrated or reduced pursuant to extraordinary shareholders' resolution.
- (2) Reserves which on distribution to shareholders would form part of the Company's taxable income for corporation tax ('Ires') purposes.
- (3) Reserves which on distribution to shareholders, as increased by substitute tax (16%) on the amount distributed, would form part of the Company's taxable income for corporation tax ('Ires') purposes. Recognized to the Company in the year of distribution is a corporation tax ('Ires') credit equal in amount to the substitute tax added to the amount distributed.
- (4) The reserve for treasury shares may not be used beyond the value of the treasury shares held by the Company in portfolio. This reserve may be used solely to finance losses and after having used the other reserves.

Accounts in Euro							
Item	Amount	Possible use	Portion distribu- table	use o	mary of ver last e years		
				to fi- nan- ce los- ses	to di- stri- bute pro- fits		
Capital	16.622.820		=				
Reserves formed out of capital							
Share premium reserve	-						
Extraordinary reserve	-		-				
Reval. reserve as per Law 72/83	95.381	losses/ca- pital/profits (1)/(2)	95.381				
Reval. reserve as per Law 413/91	1.238.895	losses/ca- pital/profits (1)/(3)	1.238.895				
Reserves formed out of capital	1.334.276		1.334.276				
Reserves formed out of earnings							
Legal reserve	3.324.564	losses					
Extraordinary reserve	7.311.006		7.311.006				
Reserve for treasury shares	56.839.320	(4)					
Reserve as per Law 675/77	15.810		15.810				
Res. Art. 55 Decree (DPR) 597/73	34.954		34.954				
Tech. innov. res. as per L.696/93	2.486		2.486				
Res. Art. 74/55 Decree (DPR) 917	38.179		38.179				
Merger surplus reserve	0		0				
Reserves formed out of earnings	67.566.319		7.402.435	72.4	69.914		
Retained earnings	20.243.443	losses/ capital/ profits	20.243.443				
Result for the year	69.176.994		69.176.994				
Total	174.943.852		28.980.154				
Portion not distributable		deferred charges amortizable	98.517				
Residual portion distributable		_	28.881.637				

RECONCILIATION TO STATUTORY FINANCIAL STATEMENTS

Presented below is reconciliation of the equity and net income of Zambon Company S.p.A. as at December 31, 2008 and 2007 to consolidated equity and consolidated net income for the years then ended:

			Accounts in	n Euro/'000
		Equity		come (loss) or the year
	FY08	FY07	FY08	FY07
As per statutory financial statements of Zambon Company S.p.A.	174.944	157.244	69.177	110.394
Profit for the year and differing reserves of the consolidated companies, less portion recorded by Zambon Company S.p.A.	232.603	252.388	63.977	77.947
Effect of eliminating intercompany transactions (dividends/intercompany profits), tax-driven adjustments and other items	(118.802)	(133.370)	(74.530)	(115.093)
Minority interest in capital and equity reserves	921	750	0	0
As per consolidated financial statements of Zambon Company S.p.A. and its Subsidiaries	289.666	227.012	58.624	73.248

RESERVES FOR RISKS AND CHARGES

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000			
	FY08	FY07		
Reserve for severance indemnities	4.583	3.906		
Reserve for deferred taxation	7.698	6.821		
Reserve for other future risks and charges	29.026	26.968		
Total	41.307	37.695		

Reserve for severance indemnities

As accrued on a basis consistent with applicable payroll agreements, the purpose of the reserve for severance indemnities is to integrate the severance indemnities recognized to employees in service (workers, clerks and managers).

Reserve for deferred taxation

Other than deferred tax on consolidation adjustments and other adjustments recorded to conform with Group accounting policies, the reserve for deferred taxation reflects provisions accrued by the individual companies on deferred taxable income primarily resulting from the purchase price allocation of the PPG acquisition.

Reserve for other risks and charges

The reserve for other risks and charges is provided to cover liabilities that might be incurred in future periods. Other risks include estimation of the non-recurring legal charges and expenses that might be incurred in future periods, and provisions relating to estimated pharmaceutical specialty future returns and, not least, estimation of the costs that might be incurred

in respect of research projects or reshaping the organizational framework of foreign operations.

With effect from the year under review, a reserve for product risk is accrued for reasons of prudence by the subsidiary Zambon Italy S.r.l. to cover the risk represented by withdrawal of our medicines from the market as a result of the resolution taken by AIFA (Italian Medicines Agency) in respect of drug information leaflet updates. In addition thereto, a reserve, accrued in the amount of Euro 1,300 thousand, has been set aside to cover liabilities, if any, arising from the collection, reimbursement or elimination of damaged products and/or products past sell-by date.

As recorded in the amount of Euro 1,000 thousand and Euro 1,200 thousand, respectively, also set aside in the year under review was provision for risks arising from or relating to liabilities that might result from activities of the Chinese subsidiary Hainan Zambon Pharmaceutical Company Ltd. and provision for contingent liabilities that might arise within the subsidiary Zambon Laboratorios Pharmaceutcos Ltda (Brazil).

And lastly, also set aside in the amount of Euro 700 thousand was provision for risks arising from or relating to certain installations transferred. Looking at the fine chemicals subsidiary undertakings, ZaCh System S.p.A. has accrued a reserve in the amount of Euro 2,494 thousand to cover any risk that might arise as a result of the significant activities currently being carried forward and developed by that subsidiary.

The reserve accrued in the amount of Euro 3,300 thousand is provided to cover risks arising from or relating to investments in research-based entities developing innovative technologies in the medicines and pharmaceutical sector, i.e. entities undergoing start-up.

As stated in the amount of Euro 9,632 thousand, the provision for other risks as at December 31, 2008 relates to charges associated with the commitments undertaken in prior years by Zambon Group S.p.A. in respect of the programmed environmental reclamation of the former Zambon site in Vicenza (Via Cappuccini).

In order to ensure a more immediate grasp of the situation and better understanding of the cause and reason underlying the substantial provision for risks, set forth below on a summary basis are the circumstances arising from or relating to the site in question.

Foreword and reconstruction of events and facts

At the end of the Seventies, Zambon relocated its pharmaceutical and chemical-pharmaceutical activities from the production site at Via Cappuccini to the actual production sites bordering on the Municipality of Vicenza (pharmaceutical production) and at Lonigo (chemical-pharmaceutical production), agreeing with the Municipality of Vicenza to exchange the production site with another, with the attendant consequence being that Zambon continued to own 10% of the former production site at Via Cappuccini, which, in all, occupies some 37,000 sq. meters of land, and the Municipality the remainder.

Over the years, the state and condition of the former production site at Via Cappuccini remained unchanged from the state and condition in which it was left by Zambon, insofar as the Municipality has never revamped or reconverted the site (which, for a certain period of time, was used as a waste-tip or a place for dumping wrecked or sequestrated vehicles, etc.). The ongoing litigation relating to the site in question saw onset in recent years, when the critical issue of site contamination was drawn to the attention of the Municipality as a result of factual findings reported by AM-CPS and the on-site surveys and diggings performed by ATER. Following in the wake thereof, notwithstanding two attempts to reach some form of agreement, was a string of writs served by the Municipality of Vicenza and duly challenged by Zambon. However, in order to avoid further prejudicial points of order, the Company abided by those writs and took a proactive approach to clean-up, at its own care and expense, the more critical areas of contaminated land. Emerging over the course of time, however, were elements attributing co-responsibility and liability to the Municipality of Vicenza, insofar as proprietor of most of the area and negligent in terms of contaminated land clean-up. A co-responsibility and liability which, if recognized as existent, would compel the Municipality to incur to some extent some of the aggregate contaminated land clean-up costs.

The objective pursued by Zambon to settle the issue under review is focused around agreeing with the competent Authorities a multi-pronged requalification project for the area as a whole, thereby rendering the land reclamation work more targeted and effective.

Forecasted evolution

By way of overviewing the land reclamation work carried out throughout the review period, it should be recalled that, following preparation of a contaminated land clean-up project, which placed in evidence that some areas of the land are affected by contamination insofar as reflecting thresholds in excess of the quality of top-soil and stratum regime limits contemplated by the Environmental Protection Act 471/1999, Zambon Group engineered and put in place a program for sub-surface water Emergency Safety Measures (ESM).

Later, on September 20, 2005, Zambon Group presented to the Municipality of Vicenza, in accordance with Article 17 of Decree-Law 22/1997 and in accordance with the said Environmental Protection Act 471/99, a Land Reclamation Preliminary Project, duly approved by Municipal Resolution PG N 58537 dated November 7, 2005 that provides for the related implementation thereof in successive phases and, more pointedly:

Phase 1, focused around eliminating and/or decontaminating top-surface soil to an extent generally assimilated to the quality of soil standards contemplated by law for industrial areas of land and, not least, sub-surface water reclamation;

contamination until attainment of those goals and objectives that will be defined and adopted jointly, with a keen eye steered toward the use and purpose identified in agreement with the Municipality for the decontaminated areas of land and, not least, to the specific building typology contemplated for the areas of land in question.

The land reclamation involves the area of land to which *Zambon Group* continues to proprietor and, not least, the area of land transferred long since to the Municipality of Vicenza.

On approval of the Preliminary Project, however, the Municipality of Vicenza required *Zambon Group*, using a somewhat anomalous and technically questionable procedure, to anticipate, prior to drafting Land Reclamation Final Project, Phase 1, certain activities contemplated in the Land Reclamation Preliminary Project, Phase 1, primarily those involving the elimination and/or removal of sub-surface waste and hazardous top-soil surfaces.

Zambon Group therefore prepared and presented to the Municipality of Vicenza, on January 2, 2006, a Land Reclamation Final Project, Phase 1 - Random Works, duly approved by the Municipality under Municipal Resolution PG N 15272 dated March 15, 2006.

Successively, and in order to complete the random works required under Phase 1 and Phase 2 of the Land Reclamation Project, *Zambon Group* prepared and presented to the Municipality of Vicenza, on June 11, 2007, the Land Reclamation Final Project, Phase 1 - Random Works 2nd Series, duly approved by the Municipality of Vicenza under Municipal Resolution PG N 434499 dated August 2, 2007.

As such, Zambon Group has agreed formally, vis-à-vis the Public Administration, to the obligations set forth in the Land Reclamation Preliminary Project and in the Land Reclamation Final Project, Phase 1 – Random Works 1st Series and, not least, in the Land Reclamation Final Project, Phase 1 – Random Works 2nd Series. The obligations take effect as from the date on which the projects referred to above were approved.

Land Reclamation Final Project, Phase 1 - Random Works 1st Series

Aside from eliminating, as scheduled for 1Q2009, the industrial waste removed from some top-soil contaminated surfaces, the work pursuant to the *Land Reclamation Final Project, Phase 1 – Random Works* has been carried out and completed over the course of the three-year period 2006, 2007 and 2008.

Along with the Random Reclamation contemplated by Phase 1, other works have been put in place over the three-year period 2006, 2007 and 2008 in a design to:

- carry forward the Emergency Safety Measures (ESM) programmed in respect of the site (as yet in progress);
- reach Site Clean-up completion; gain further information about the quality of the sub-soil surfaces (detailed investigation), all of which focused around Phase 1 final engineering, and; carry out contaminated land in-site and on-site pilot tests, all of which focused around Phase 1 final engineering.

Land Reclamation Final Project, Phase 1 – Random Works 2nd Series

Implemented and reaching completion over the last twelve months was Site Clean-up pursuant to Land Reclamation Final Project, Phase 1 – Random Works 2^{nd} Series.

Site Clean-up successive phases

Taking into account all the works performed, Land Reclamation Final Projects will be drafted over the course of 2009 in terms of *Random Works* 3rd Series by way of Phase 1 completion or Land Reclamation Phase 2 directly.

On a basis consistent with the principles underlying the *Emergency Safety Measures* and the approved *Land Reclamation Projects*, all the works performed to date have been carried out under the supervision of the appropriate Entities on a continuing basis.

As placed in evidence in the previous valuation regarding the percentage of completion of the land reclamation works, the cost of the land reclamation works to be realized shall be estimated on a more detailed basis once the Land Reclamation Final Project, Phase 1 and Phase 2, has been drafted on a definitive basis, in that, pending municipal approval, the actual estimate assumes as "probable" the land reclamation goals and objectives to be adopted and, moreover, as "probable" the differing technologies and procedures to be used for the site under review.

Accordingly, based on the foregoing assumptions, it is deemed to be appropriate to continue to place the cost of the Land Reclamation works at a figure ranging from a minimum of Euro 10,750,000 to a maximum of Euro 13,700,000, less unforeseeable charges or increases due to the higher cost-of-living, the variability of which, however, is not deemed to be material when compared with the elements of uncertainty faced when estimating land reclamation costs in this phase.

Given the margins of uncertainty attaching to the nature of the works to be realized and the increase in costs driven through by the random works required by the Vicenza Municipality under the Land Reclamation Project, Phase 1 – Random Works 1st Series, it has deemed to be appropriate, for reasons of prudence, to adopt a value equating the maximum

amount of the gap indicated above plus some 10%, i.e. Euro 15,000,000 less VAT.

This assumption is confirmed one year later by the latest estimation. However, in terms of timelines and costs, attention is drawn to the following:

- it might take at least two years more to reach completion due to works slowing down primarily as a result of the administrative timescale required by the public administration in defining and classifying the area's purpose of use (and, as such, the land reclamation objectives to be adopted in the final land reclamation project);
- the analysis of actual costs incurred in respect of the activities carried out in the three-year period 2006, 2007 and 2008 clearly places in evidence that no upward cost adjustments are required such as to modify the estimates previously made;
- the upward variances recorded mainly stem from costs incurred ahead of successive site clean-up phases, insofar as deemed to be essential to assure bolt-on waste disposal and workyard activities;
- ESM operational management represents a variable cost, almost proportionate to the related operating timescale thereof, and the longer timeline needed to carry out the land reclamation activities determines a like-for-like increase in EMS costs (greater number of operational management years). Hence, late definition of the Land Reclamation Final Project and the resultant late implementation thereof culminated into one year more of ESM operational management than originally planned; however, the magnitude of such operational management cost is not such as invalidate the estimates previously made, also in light of the 10% margin mitigating unforeseen events or other.

Taken as a whole, the costs, directly attributable to the land reclamation and site clean-up, incurred by *Zambon Group* in fiscal 2008 amount to Euro 2,117 thousand, less VAT, and, in consequence, the residual reserve equates Euro 9,632 thousand.

The costs for fiscal 2008 relate to the following: coordination for safety; analysis and tests of control performed by ARPAV; sewer trunk line rental; hydrogeology consultancy services provided by Sinergeo, and; workyard-related other costs (security, etc.).

A more precise estimation of the residual site clean-up costs involved may be attained once, and only once, the Land Reclamation Final Project – Successive Phases has been presented to, and approved by the Mu-

nicipality, which, albeit originally scheduled to be presented by end 2008, must necessarily be presented over the course of 2009.

As if any reminder were needed, the valuation must be updated from year to year in order to mitigate any margin of error, taking into due account the ultimate outcome of upcoming Land Reclamation Final Project phases (Phase 1 and Phase 2 – Eventual Random Works) and any other ordinances that may be adopted by the Control and Administration Authorities.

RESERVE FOR EMPLOYEE TERMINATION INDEMNTIES

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000		
	FY08 FY		
Reserve for employee termination indemnities	11.839	12.822	
Total	11.839 12.822		

As at December 31, 2008, the reserve for employee termination indemnities represents the full liability due to employees in service at the differing consolidated companies. The reserve for employee termination indemnities is accrued in compliance with the post-employment laws and regulations currently prevailing in the differing countries from which the Group companies operate.

BANKS

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Amounts falling due to banks within 12 months: Due to banks	308	0
Current portion of medium to long-term financing:		
IMI financing	0	1.100
Ministero Ciencia y Tecnologia financing	115	115
Total Current portion of medium to long-term financing	115	1.215
Total Short-term financial repayable	423	1.215
Medium to long-term financing repayable after 12 months		
Ministero Ciencia y Tecnologia financing	304	419
Total Medium to long-term financing repayable	304	419
Total Amounts due to Banks	727	1.634

As at December 31, 2008, the Group has credit line facilities for an amount totaling Euro 163 million, which may be used in the form of bank overdrafts, commercial advances or endorsements.

Pushing through the movement on financing and loans repayable to banks and public lending institutions were amortization schedules. These relate to: financing provided to Zambon S.p.A., and extinguished in the review period, and the Euro 534 thousand financing provided to Zambon S.A. (Spain), of which Euro 115 thousand falling due within 12 months, and, not least, financing provided to Zambon S.A. (Spain) by the Spanish Ministry for Science and Technology and by Desarrollo Technological Center for Investments; the financings, which benefit from government subsidies, carry interest at 0 (nil) interest rate for a period of 5 years and 10 years, with capital repayments starting from 2005.

OTHER FINANCERS

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Amounts falling due within 12 months	2.102	2.044
Amounts falling due after 12 months	10.147	12.249
Total	12.249	14.293

Accounts payable to other financers, amounting to Euro 12,249 thousand, relate to lease installments falling due in respect of the sale and leaseback transaction entered into by Zambon Immobiliare S.p.A. with Locat (Unicredit Group) involving the property at Bresso (Milan).

ADVANCES

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Advances	3.090	3.389
Total	3.090	3.389

Encompassed within the balance on this account, Euro 3,090 thousand, are advances in the amount of Euro 1,859 thousand relating to ZaCh System S.p.A. and referring to the supply of interim production material which, although available at the Lonigo (Vicenza) site at December 31, 2008, is not ready for use by end-customer due to technical reasons associated with the remachining required. At the consolidated balance sheet, the supply had been paid by end-customer.

SUPPLIERS

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Supplier payables	84.779	87.556
Total	84.779	87.556

These are supplier payables commercial in nature arising in the normal course of business. Supplier payables are stated on a net basis, i.e. less advances and credit notes to be received in respect of nonconforming products supplied. The balance on this line account is in line with the prior year.

Supplier payables as at December 31, 2008 and 2007 are analyzed below by geographic region:

	Accounts in Euro/'000	
	FY08	FY07
Europe	79.587	81.951
America	3.651	3.347
Pacific Asia and other	1.541	2.258
Total	84.779	87.556

Set forth below are the more significant balances denominated in currencies other than the Group's functional and reporting currency:

	Accounts in Euro/'000		
Currency		In foreign currency	In Euro
U.S. dollar	US\$	2.423	1.741
Swiss franc	CHF	136	91
Canadian dollar	CAD	3	2
Japanese yen	JPY	13.208	151
Norwegian crown	NOK	6	1

Emerging at the consolidated balance sheet is a contingent forex loss in the amount of some Euro 37 thousand, as determined on the basis of foreign exchange trending (sourced from the Bank of Italy) over the period from the consolidated balance date to the date on which the consolidated accounts were prepared and authorized for issue.

There are no supplier payables falling due beyond five years. There are no trade receivables reflecting due-dates in excess of normal market conditions.

PARENT COMPANIES

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Amounts due to parent Gefim S.r.l.	9.263	13.229
Total	9.263	13.229

As at December 31, 2008, payables to parent companies, amounting to Euro 9,263 thousand, relate primarily to accounts payable in respect of the national tax consolidation program to which the Italian companies have adhered formally. Driving through the year-on-year decrease was the tax charge taking shape as a result of the results delivered by the company in the year under review.

There are no accounts payable to parent companies falling due beyond five years.

TAXES

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Current income tax payable	18.679	18.710
Withholding tax payable	7.703	7.230
VAT and other tax payable	491	710
Total	26.873	26.650

The more significant component making up the balance on this account are payables arising from the income tax returns of the consolidated companies, less advance tax prepayments, if any. Also included therein is employee withholding tax relative to December 2008 and VAT payable. There are no taxes payable falling due beyond five years.

PROVIDENT AND SOCIAL SECURITY INSTITUTIONS

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Due to provident and social security institutions	6.693	6.626
Total	6.693	6.626

Amounting to Euro 6,693 thousand and Euro 6,626 thousand as at December 31, 2008 and 2007, respectively, are accounts payable to provident and social security institutions relating to social contributions payable by the company and the employees to the relevant provident and social security institutions in the differing countries from where the Group companies operate.

OTHER Payables

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
Amounts falling due within 12 months:	FY08	FY07
Employees for salaries and wages	18.682	18.394
Due to ministries and government agencies by way of medicine tax	2.017	1.626
Due in respect of product purchase Zambon Spain	1.242	0
Other minor items	2.901	2.090
Total	24.842	22.110

Amounts due to employees include principally salaries and wages, employee vacation accrued as yet not taken, and other consideration payable to employees. Amounts due to ministries and government agencies by way of medicine tax relate primarily to Zambon Belgium, Zambon Italy S.r.l. and Zambon S.A. (Spain), and Pharmazan S.A. (Spain). There are no other payables falling due beyond five years.

ACCRUED EXPENSES AND DEFERRED INCOME

As at December 31, 2008 and 2007, the balance on this line is as follows:

	Accounts in Euro/'000	
	FY08	FY07
Accrued expenses R&D and services contracts	296	505
Insurance	257	131
Interest	80	124
Other minor items	698	638
Deferred income	8.714	10.520
Total	10.045	11.918

The balance on this account mainly relates to deferred income in the amount of Euro 8,714 thousand, associated with the deferred capital gain arising on the leaseback of the Bresso property unit and the relative portion thereof pertaining to successive years, as deferred on a basis consistent with the finance lease term.

GUARANTEES GIVEN AND RECEIVED

As at December 31, 2008 and 2007, guarantees given by Group companies in favor of, or received from, third parties are as follows:

	Accounts in Euro/'000	
	FY08	FY07
Guarantees given and commitments	29.227	18.879
Bank guarantees received	0	0
Other memorandum accounts	0	1.290
Total	29.227	20.169

The memorandum accounts relate primarily to the following:

- Guarantees equating some Euro 2,119 thousand provided to the Vicenza District
- Lease commitments falling due relate to lease rentals in the amount of Euro 13,85 thousand payable in the foreseeable future to the leasing company LOCAT S.p.A. in respect of the site held under lease in Bresso (Milan) at Via Lillo del Duca. Under International Accounting Standard IAS 17, the leased site is accounted for as a tangible fixed asset, with the relevant lease payments shown on the liability side of the consolidated balance sheet.
- Guarantees equating Euro 8,409 thousand provided to the Inland Revenue Office (VAT section).

As if any reminder were needed, your Company also has the option to acquire from one other partner a 50% stake in Bresso Energia. The option may be exercised once 15 years have elapsed from inception of the energy supply contract. In addition there to, mention is made to obligation undertaken by your Company to transfer to the Bresso Municipality a 5% investment in S.Te. No. m S.r.l. at a preset purchase price consideration equal to the nominal value of the quotas transferred, in respect of which the other partners also are obligated in recognition of the investment purchase option recognized to that Municipality. Looking at the investment

in S.Te. No. m S.r.l., in order to assure that its partaking percentage remains unchanged, Zambon Immobiliare S.p.A. has undertaken, as if any reminder were needed, the obligation to subscribe to any share capital increase, not in excess of Euro 150,000, that might be executed formally.

CONSOLIDATED INCOME STATEMENT

In order to ensure a more immediate grasp of the movement for the year ended December 31, 2008 on the differing consolidated income statement accounts, it should be noted that the prior year balances were determined, in terms of the fine chemicals business stream, by the income statement results delivered by ZaCh System S.p.A. and by the operations relative to the month of December 2007, and only the month of December 2007, put in place by ZaCh System S.A. and ZaCh System Corporation. In the review period, the income statement results delivered by all the consolidated companies are considered on a full-year basis.

REVENUES FROM SALES AND SERVICES

Revenues from the sale of goods and the provision of services to unrelated parties by key Group companies are analyzed below:

	Accounts	in Euro/'000
	FY08	FY07
Italian subsidiaries		
Homeland	133.824	129.955
Export:		
E.U.	35.946	40.254
Rest of the world	35.277	32.169
Total Sales to unrelated parties by Italian subsidiaries	205.047	202.378
Countries:		
Switzerland	40.371	46.263
Belgium	23.662	25.045
The Netherlands	17.640	16.453
France	116.871	76.440
Spain	100.405	103.192
Portugal	8.027	7.252
Brazil	37.094	30.908
Colombia	6.168	6.672
China	6.252	6.854
Other	9.951	6.131
Total Sales to unrelated parties, Gross	366.441	325.210
Total Sales to unrelated parties	571.488	527.588
Tax on sales revenue, discounts and returns, and services rendered	(16.985)	(17.737)
Net revenues	554.503	509.851

Also set forth below is the breakdown of net revenues by geographic region:

	Accounts	Accounts in Euro/000	
	FY08	FY07	
Europe	433.157	411.927	
America	89.124	71.761	
Pacific Asia	35.132	26.163	
Total	557.413	509.851	

Based on the breakdown of net revenues by geographic region, no country risk emerges in terms of excessive territorial concentration of sales.

CHANGE IN INVENTORIES

As at December 31, 2008 and 2007, the balance on this account is composed primarily of the following:

	Accounts in Euro/'000	
	FY08	FY07
Change in semi-finished goods and finished goods in inventory	7.730	201
Total	7.730	201

OTHER REVENUES AND INCOME

As at December 31, 2008 and 2007, the balance on this account is composed primarily of the following:

	Accounts in Euro/'000	
	FY08	FY07
Recovery of costs and services provided	2.742	1.194
Contributions toward production line investment	0	1.320
Rental income	2.741	2.614
Patent and license disposals	3.994	2.027
Topten disposal	0	1.042
Gain on fixed asset disposals	2.673	2.149
A.P.R. settlement	0	2.904
Tax contribution toward research – ZaCh France	900	0
Recovery of indirect taxes – ZaCh France	534	0
Reversal of payable – Jouveinal ZaCh France	610	0
Other minor items	2.477	2.853
Total	16.671	16.103

Examined and discussed below are the more significant items encompassed within this account:

Rental income

This mainly relates to rental income received by Zambon Immobiliare S.p.A. from unrelated parties in respect of the property units leased in Bresso (Milan).

Patent and license disposals

Patent and license disposals as at December 31, 2008 reflect the following more significant transactions:

- Physiomicine product disposal in Zambon France S.A. (Euro 2,400 thousand) and second quota (Euro 1,258 thousand) of Winstrol product disposal in Zambon Spain.

PRODUCTION COSTS

RAW MATERIALS AND CONSUMABLES PURCHASED

As at December 31, 2008 and 2007, the balance on this account is composed primarily of the following:

	Accounts	Accounts in Euro/'000	
	FY08	FY07	
Raw materials and consumables purchased	147.053	131.207	
Total	147.053	131.207	

The amounts reported are shown net of discounts, premiums and rebates received from suppliers, as detailed in the following table:

		Accounts in Euro/'000		
Production-related raw materials and consumables	FY08	FY07	Change	
Purchased from third parties				
Finished goods	35.313	37.242	(1.929)	
Semi-finished goods	7.510	10.756	(3.246)	
Raw materials and consumables	70.640	53.215	17.425	
Fancy packing material	23.250	20.611	2.639	
Spare parts	7.024	6.801	223	
Freight/accessory expenses	3.316	2.582	734	
Total	147.053	131.207	15.846	

The year-on-year increase in production costs represents an attendance consequence of revenue growth.

SERVICE COSTS

As at December 31, 2008 and 2007, the balance on this account is composed primarily of the following:

	Accounts in Euro/'000	
	FY08	FY07
Service costs	137.402	105.370
Total	137.402	105.370

Service costs are analyzed as follows:

		Accounts i	n Euro/'000
Service costs	FY08	FY07	Change
Travel and transfer	7.092	6.601	491
Events and meeting organization	9.131	8.188	943
Staff recruiting and training	2.255	1.849	406
Telephone	2.305	1.935	370
Notary and legal consultancy	1.740	1.548	192
Insurance	2.397	2.060	337
Cleaning	2.356	2.164	192
Maintenance	10.018	6.564	3.454
Company canteen	1.035	872	163
Postage and deliveries	1.636	1.339	297
Market research	5.241	5.155	86
Freight	8.167	6.808	1.359
Industrial waste disposal	6.877	3.492	3.385
Utilities	13.055	9.181	3.874
Adverting	15.973	6.406	9.567
Security	1.261	978	283
Trademark filing	2.206	2.083	123
Agent commission	5.807	6.514	-707
Productions from third parties	7.873	4.300	3.573
Other service costs	30.977	27.333	3.644
Total	137.402	105.370	32.032

Service costs as at December 31, 2008 reflect a substantial increase from the year before. The year-on-year increase relates particularly to service costs commercial or advertising in nature. Driving through the year-onyear increase in the service costs referred to above was the need to assure enhanced visibility and bolder market presence by the consolidated companies, primarily those specializing in the pharmaceutical sector, in their respective markets. The year-on-year increase in maintenance service costs relates particularly to the fine chemicals business stream companies.

EXPENSES RELATING TO THE USE OF THIRD PARTY ASSETS

As at December 31, 2008 and 2007, the balance on this account is composed primarily of the following:

	Accounts in Euro/'000	
	FY08	FY07
Expenses relating to the use of third party assets	9.967	8.650
Totale	9.967	8.650

Expenses relating to the use of third party assets are analyzed as follows:

		Accounts i	n Euro/'000
Expenses relating to the use of third party assets	FY08	FY07	Change
Car lease rentals	6.034	5.818	216
IT and computer-system lease rentals	2.363	1.472	891
Office lease rentals	1.570	1.360	210
Total	9.967	8.650	1.317

PERSONNEL EXPENSES

As at December 31, 2008 and 2007, the balance on this account is composed of the following:

	Accounts in Euro/'000	
	FY08	FY07
Personnel expenses	141.890	119.421
Total	141.890	119.421

Encompassed within *Personnel expenses* are all the direct costs and related charges envisaged by the labor laws and regulations currently prevailing in the countries from where the consolidated companies operate.

Personnel expenses are analyzed as follows:

		Accounts	in Euro/'000
	FY08	FY07	Change
Salaries and wages	102.676	85.876	16.800
Provident and social security contributions	29.764	24.120	5.644
Employee termination indemnities	2.848	2.728	120
Other personnel expenses	6.602	6.697	(95)
Total	141.890	119.421	22.469

Over the last twelve months, Personnel expenses moved forward, whether driven by organic growth in the year under review or payroll contractual increases in the course of the year particularly in terms of the Italian companies operating across the homeland.

DEPRECIATION AND WRITE-DOWNS

As at December 31, 2008 and 2007, the balance on this account is composed of the following:

	Accounts in Euro/'000	
	FY08	FY07
Amortization of intangible assets	4.365	5.002
Depreciation of tangible fixed assets	22.671	20.419
Write-down of intangible and tangible fixed assets	697	100
Write-down of receivables classified under current assets	1.455	925
Total	29.188	26.446

Write-down of receivables

Provision for the write-down of receivables, Euro 1,455 thousand, has been determined assessing the bad debt or doubtful accounts outstanding and possible collection thereof.

CHANGE IN RAW MATERIALS, CONSUMABLES AND GOODS IN INVENTORY

As at December 31, 2008 and 2007, the balance on this account is composed of the following:

	Accounts in Euro/'000	
	FY08	FY07
Change in inventory	(498)	(2.845)
Total	(498)	(2.845)

PROVISIONS FOR RISKS

As at December 31, 2008 and 2007, the balance on this account is composed of the following:

	Accounts in Euro/'000	
	FY08	FY07
Provisions for risks	3.313	2.771
Total	3.313	2.771

By way of making provision to cover costs that might arise as a result of recently introduced regulatory requirements in terms of pharmacological disclosures and, not least, to cover additional discounts that might have to be afforded to support new market entries, provisions were reserved the review period in the amount of Euro 181 thousand and Euro 640 thousand, respectively. Also reserved for reasons of prudence was provision in the amount of Euro 1,900 thousand to cover contingent risk that might emerge. An amount of Euro 442 thousand has been provisioned to cover risk, as yet not properly defined, arising from or relating to certain products in inventory associated with the fine chemicals business stream.

OTHER PROVISIONS

As at December 31, 2008 and 2007, the balance on this account is composed of the following:

	Accounts in Euro/'000	
	FY08	FY07
Other provisions	965	2.335
Total	965	2.335

Other provisions relate to investees specializing in the research and development of innovative technologies. The risk arising from or relating to the investment held in those investees stems from the fact that the

Company holds investments in research-based entities developing innovative technologies in the medicines and pharmaceutical sector, i.e. entities undergoing start-up stage, which, in consequence, reflect an element of high risk.

The provision for risks and charges has been reserved to cut out or mitigate exposure to financial risk arising from or relating to investments in research-based entities developing innovative technologies in the medicines and pharmaceutical sector, i.e. entities undergoing start-up.

OTHER OPERATING EXPENSES

As at December 31, 2008 and 2007, the balance on this account is composed of the following:

	Accounts in Euro/'000	
	FY08	FY07
Other operating expenses	25.100	29.399
Total	25.100	29.399

The year-end balance on this account is analyzed as follows:

		Acc	ounts in Euro/'000
	FY08	FY07	Change
Promotional expenses	14.694	15.436	(742)
Taxes and duties (othe than income taxes)	2.784	6.937	(4.153)
Membership fees	1.137	1.096	(41)
Property tax	2.014	650	(1.364)
Other	4.471	5.280	(809)
Total	25.100	29.399	(4.299)

INCOME FROM INVESTMENTS

Income from investments is analyzed as follows:

	Acc	Accounts in Euro/'000	
	FY08	FY07	
Income from investments	650	600	
Total	650	600	

The balance relates to dividends received from the investee DOC GE-NERICI S.r.l. recognized as and when received.

OTHER FINANCIAL INCOME

Other financial income is analyzed as follows:

	Accounts in Euro/'000	
	FY08	FY07
Interest income-banks	5.351	5.213
Total	5.351	5.213

Interest income relates primarily to interest income accrued on bank deposits.

INTEREST AND OTHER FINANCIAL CHARGES

The detail of interest expense and other financial charges incurred in 2008 and 2007 is the following:

	Accounts in Euro/'000	
	FY08	FY07
Interest expense-banks	177	761
Other financial charges	1.371	1.047
Total	1.548	1.808

Interest expense relates primarily to interest expense accrued on bank deposits.

FOREIGN EXCHANGE GAINS/(LOSSES)

As at December 31, 2008 and 2007, the balance on this account is composed primarily of the following:

	Accounts in Euro/'000	
	FY08	FY07
Foreign exchange gains	5.110	10.434
Foreign exchange losses	[11.269)	(8.275)
Total	(6.159)	2.159

As required by Article 2426.8-bis of the Italian Civil Code, also encompassed herein are foreign exchange gains/(losses) not realized resulting

from exchange differences arising on translation, at year-end rates of exchange, of receivables and payables denominated in foreign currency converted at the rates of exchange prevailing the date of the original transaction; inasmuch as the foreign exchange losses not realized are superior in amount to the foreign exchange gains not realized, the reserve for realized foreign exchange gains, net, has not been provisioned.

EXTRAORDINARY INCOME ((EXPENSES)

As at December 31, 2008 and 2007, the balance on this account is composed of the following:

	Accounts in Euro/'000	
	FY08	FY07
Sum awarded from CIPE legal action	3.820	0
Extraordinary income	446	0
Total	4.266	0

Sum awarded from CIPE legal action

The amount of Euro 3,820 thousand relates to sum awarded under the sentence pronounced by the Rome Court of Appeal in respect of the legal action taken against the Cabinet Council and the Interdepartmental Committee for Economic Planning ("CIPE"), acknowledging in part the Appeal of the State and setting recognition of the damages for your Company, on a definitive basis, in the amount referred to above, legal expenses included. The sum awarded was collected, on a provisional basis, in the amount of Euro 3.000 thousand part way 2005, whilst duly collected over the last twelve months was the remainder.

INCOME TAXES

Current income taxes provided in the consolidated income statement for the years ended December 31, 2008 and 2007 amount to Euro 33,525 thousand and Euro 35,751 thousand, respectively. Non-current and deferred taxation credited or debited to the consolidated income statement for the years ended December 31, 2008 and 2007 amount to Euro 5,161 thousand and Euro 424 thousand, respectively. As at December 31, 2008, also encompassed within the balance on current income taxes is the Regional Tax on Manufacturing Activities ("IRAP") levied on the Italian companies in the amount of Euro 3,582 thousand (December 31, 2007: Euro 4,171 thousand). The income taxes of the foreign and Italian companies are accrued on the basis of enacted tax rates. Net deferred taxes (representing the difference between deferred tax assets and deferred tax liabilities) are determined taking into account temporary differences between the carrying amount of an asset or liability in the statutory balance sheet and its tax base. In addition, deferred tax assets are recognized if, and only if, it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Set forth below is reconciliation of the income tax rate currently prevailing in Italy to the effective tax rate for the consolidation.

	Accounts in Euro/'000	
	FY08	FY07
Income tax rate	27,5	33,0
Regional tax ("Irap") rate	4,1	3,8
Tax consolidating payments by GEFIM, the tax consolidating entity	(1,8)	(1,1)
Subsidiary consolidation, less deferred tax effect and other changes	2,8	(2,7)
Income tax rate on income before income taxes	32,6	33,0

OTHER INFORMATION

Emoluments to parent company Directors and Statutory Auditors in financial year 2008 for duties performed also in other undertakings included in the scope of consolidation amount to Euro 708 thousand and Euro 128 thousand, respectively.

Bresso (Milan) May 28, 2009

By Order of the Board of Directors **Dr. Margherita Zambon**Chairman

CONSOLIDAT STATEMENT AT 12.31.2008

Consolidated Cash Flow Statement

	Accounts in Euro/'000	
	FY08	FY07
SECURITIES, CASH AND CASH EQUIVALENTS, NET, AT BEGINNING OF THE YEAR	125.467	79.168
CASH FLOW FROM OPERATIONS		
Net income for the year before minority interest	58.720	73.385
Depreciation and amortization	27.036	25.421
Deferred capital gain arising from leaseback transaction	(1.766)	(1.766)
Increase (Decrease), Net in reserves for risks and deferred taxation	2.819	2.015
Increase (Decrease) in reserve for employee termination indemnities and severance	(306	307
	86.503	99.362
Decrease (Increase) in current receivables	(5.717)	(9.002)
Decrease (Increase) in inventory	(9.781)	136
Increase (Decrease) in other working capital items, Net	(6.025)	23.460
	(21.523)	14.594
Net cash flow from operations	64.980	113.956
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed-asset investments: tangible	(23.277)	(6.759)
Intangible	(11.221)	(2.540)
Securities		
Equity investments	(24)	(3.427)
Other	(96)	(137)
Intangible/Tangible fixed asset disposals	1.831	2.521
Investments toward financial fixed assets	(999)	(288)
Net cash flow used in investing activities	(33.786)	(10.630)

Consolidated Cash Flow Statement

	Accounts in Euro/'000		
	FY08	FY07	
Leaseback financing – Repayment for the year	(2.044)	(1.990)	
IMPACT OF LEASEBACK ARRANGEMENTS	(2.044)	(1.990)	
Dividend payouts	(51.477)	(21.020)	
Divestment/Investment in marketable securities	2.642	13.614	
Treasury shares purchased	(56.839)	0	
New financing and change in bank exposure	(115)	(1.215)	
Cash flow, Net, generated from (used in) financing activities	(105.789)	(8.621)	
CHANGE IN CUMULATIVE TRANSLATION ADJUSTMENT RESERVE	5.959	(3.340)	
CHANGE IN SCOPE OF CONSOLIDATION	0	(43.076)	
NET INCREASE IN CASH AND CASH EQUIVALENTS	(70.680)	46.299	
CASH AND CASH EQUIVALENTS, NET, AT END OF THE YEAR	54.787	125.467	

Bresso (Milan) May 28, 2009

By Order of the Board of Directors

Dr. Margherita Zambon

Chairman

LIST OF THE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT AS OF 12.31.2008

Company	Country	Currency	Share Capital	Participation Percentage
Holding				
Zambon Company S.p.A.	Bresso	EUR0	16.622.820	=
Italian Subsidiares				
Zambon Group S.p.A.	Bresso	EUR0	288.960	100%
ZaCh System S.p.A.	Bresso	EUR0	13.039.000	100%
Zambon S.p.A.	Bresso	EUR0	5.649.880	100%
Dolphin S.p.A.	Milan	EUR0	30.920.000	100%
Zambon Italia S.r.l.	Bresso	EUR0	104.000	100%
Z-Cube S.r.l.	Bresso	EUR0	300.000	100%
Zambon Immobiliare S.p.A.	Bresso	EUR0	12.502.160	100%
Foreign Subsidiares				
Zambon B.V.	Amersfoort (Holland)	EUR0	13.050.000	100%
Zambon Switzerland Ltd	Cadempino (Switzerland)	SFr	22.500.000	100%
Zambon S.A.	Bruxelles (Belgium)	EUR0	1.000.000	100%
Zambon Nederland B.V.	Amersfoort (Holland)	EUR0	907.560	100%
Zambon Germany GmbH	Kerpen (Germany)	EUR0	2.557.000	100%
Zambon France S.A.	Issy Le Mouli- naux (France)	EURO	4.590.000	100%
Pirazach S.A.	Cadempino	SFr	800.00	100%
Zambon Laboratorios Farmaceuticos S.A.	San Paolo (Brazil)	REAL	10.488.000	100%
Zambon Colombia	Santa Fè de Bogotà (Colombia)	\$Col.	1.182.605.000	100%
Zambon S.A.	Santa Perpetua de Mogoda (Spain)	EURO	3.606.000	100%
Za.Ch. System Corporation	La Porte – Texas (U.S.A.)	US\$	21.800.000	100%
Zambon P.F. Lda.	Lisbona (Portugal)	EUR0	78.000	100%
ZamFarma P.F. Soc. Unipessoal LDA	Lisbona (Portugal)	EUR0	50.000	100%
Zambon PVT LTD	New Delhi (India)	Rs	2.309.000	100%
Pt Zambon Indonesia	Jakarta (Indonesia)	IDR	8.025.175.000	100%
P&C Reinsurance LTD	Dublin (Ireland)	EURO	650.000	100%
Zafin S.A.	Luxemburg	EUR0	491.597	100%

Company	Country	Currency	Share Capital	Participation Percentage
Zafin Finance Ireland Ltd.	Dublin (Ireland)	EUR0		100%
Siphar S.A.	Lugano (Switzerland)	SFr	4.150.000	100%
Pharmazam S.A.	Santa Perpetua de Mogoda (Spain)	EURO	210.350	100%
Zambon Advance Luxembourg S.A.	Luxemburg	US\$	40.000	90%
Hainan Willine	Haikou- PRC	RMB	7.000.000	100%
Imphos B.V.	Amersfoort (Holland)	EUR0	136.000	100%
Zambon Pharma Ltd.	Mosca (Russia)	USD	150.000	100%
Za.Ch. System S.A.	Avrillé (France)	EUR0	7.930.000	100%

Crisis, recession, reduced purchasing power, mistrust.

Right now, coming out of this negative global situation, we feel that momentous decisions and strong values are at stake. We have the opportunity of re-establishing ethical and moral values which have been too often neglected in the decision-making processes of financial and economic players.

There is the possibility of a natural change in values. Therefore, to attain results, values have to be "planted" like trees: with the greatest care, humility and patience, as we have always done within our business community.

Because at Zambon, a 102-year-old heart is still beating!

There are no chances for growth in countries unless such values as coexistence, dialogue, respect for diversity and mutual collaboration are reformulated. The truth is that the seeds need time to sprout. Three years after the celebration of Zambon's Centennial, it was a thrilling experience to explore our corporate identity more deeply. And this Value Report is also an occasion for presenting our new Corporate Brand. Every twenty years, Zambon changes its brand, because the brand communicates to people about the company and its changes. It's a way to record the signs of the passing years, to talk about the people that are part of the company and are always focused on staying genuine. Actually, they are the ones who make up our true identity as a business community.

We want our new brand to be an element of continuity with the past. The colour green links us with our origins, while simultaneously being proof of an updated and distinguishing continuity. There is a strong synergy between values and business, because it is under the very conditions of such a difficult economic situation that our values and our identity make us especially aware of our responsibilities. They help us to form increasingly close bonds with our times based on a solid and concrete business history rich in values that helps us look to and act for the future.

That is why this year we decided to inaugurate a new Value Report. Perhaps its format is somewhat unusual, since its content and layout aims at discovering this "old soul" of ours. The Report takes this artisanal "craftsman's approach" that is our typical of way of working, the concreteness of our business and the enthusiasm that accompanies our everyday life and tries to translate them into business language content that's also a precious collection of symbols belonging to us.

Therefore, through this year's Value Report, we would like to introduce a proposal for collectors, fans and - why not - for amateurs who love collecting and giving a meaning to those objects

that have somehow been part of a piece of the history all of us have experienced in different forms and which represents us.

This sequence is going to accompany us for the next 6 years with a numbered series of 6 large chapters. Our letters have each been given a special meaning to form a collection of significant symbols that form the word ZAMBON. This year we will tell about the letter Z: the Z of our museum that starts with the history of a family-run business and succeeds in taking us to a higher level of values attested to by the figure of a "little big man" like Gandhi.

We need strong ideas and a lot of humility to win ambitious challenges that call for a pragmatic approach.

That's the reason why we chose to include the image of Gandhi in the business section of our Value Report. With his characteristic humility, he shows us how we can try and carry on his legacy with the personal commitment and readiness to speak up for a crucial cause: truth.

"All that I can, in true humility, present to you is that truth is not to be found by anybody who has not got an abundant sense of humility."

Gandhi 1869-1948

Humility is the driving force for growth because it is the necessary condition to create the possibility for learning and growing. It is interwoven with the concepts of values and ethics, which then reconnects with the necessity of finding, and reasserting, one's own true identity.

We designed the layout of the business section to symbolize the characteristic of industrial pragmatism through which we have explored the world during Zambon's 102-year-long history, the proof of the solidity of a business that promotes daily commitment as one of its great guiding values. We've used editorial "containers" to collect the symbols and milestones of our activities and set up a Museum that lives with us in our everyday life. With humility, not in an "impudent" manner, what matters is the philosophy you will find within this container; take your time to understand this action, its marks, voices and sounds. That's the key to approach it.

In fact, there are moments when one has to stop and reflect, compare points of view, take a look backwards and observe the present with a critical eye and an open mind. This is one of those moments.

The "collection of symbols" is an invitation to give yourself some time to choose to look at things — like a child would — with new eyes. You can rediscover things we have always seen and known, as if they belonged to us, the tradition of a peculiar history. Our history, that reflects the histories of many family-owned companies in which bu-

siness and kinship ties are interwoven with values to identify with, able to bring together many people and direct them towards the same goal that first became a project and eventually a business.

We are trying to get in tune with our readers and share our history with them, letting them savour the past and be enriched by it — acknowledging the value of people and of the principles they have conveyed and still convey. We let them rummage through old photographs, through the precious papers of our founder, among the things that belong to our historical heritage, including moments of business and family life.

This is not meant as a celebration of our past, but as a means for us to unveil our personality and let others to get to know us more thoroughly and become involved, to favour a continuous vital relationship by creating fruitful receptivity and a lively exchange with people.

We don't believe speech is the most effective means for communication and relationship. We think that seeing, feeling, perceiving scents, listening to sounds and voices is essential.

That's our way of communicating, in several different ways, trying to listen and at the same time convey to others our operating style as a possible path of optimism based on the concrete events that absorb us every day, because at Zambon we perceive the outer world and our internal reality as a single unity. An integral long-lived business gets enriched by to everyone's contribution.

For all these reasons the doors of our Museum are always open.

We look forward to meeting you.



Lambon